OPERATIONS OF THE FEDERAL HOUSING ADMINISTRATION OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

OCTOBER 13 AND 14, 1971

Printed for the use of the Committee on Government Operations

U.S. GOVERNMENT PRINTING OFFICE
69-323 WASHINGTON : 1971

COMMITTEE ON GOVERNMENT OPERATIONS

CHET HOLIFIELD, California, *Chairman*

JACK BROOKS, Texas
L. H. FOUNTAIN, North Carolina
ROBERT E. JONES, Alabama
EDWARD A. GARMATZ, Maryland
JOHN E. MOSS, California
DANTE B. FASCELL, Florida
HENRY S. REUSS, Wisconsin
JOHN S. MONAGAN, Connecticut
TORBERT H. MACDONALD, Massachusetts
WILLIAM S. MOORHEAD, Pennsylvania
CORNELIUS E. GALLAGHER, New Jersey
WM. J. RANDALL, Missouri
BENJAMIN S. ROSENTHAL, New York
JIM WRIGHT, Texas
FERNAND J. ST GERMAIN, Rhode Island
JOHN C. CULVER, Iowa
FLOYD V. HICKS, Washington
GEORGE W. COLLINS, Illinois
DON FUQUA, Florida
JOHN CONYERS, Jr., Michigan
BILL ALEXANDER, Arkansas
BELLA S. ABZUG, New York

FLORENCE P. DWYER, New Jersey
OGDEN R. REID, New York
FRANK HORTON, New York
JOHN N. ERLENBORN, Illinois
JOHN W. WYDLER, New York
CLARENCE J. BROWN, Ohio
GUY VANDER JAGT, Michigan
GILBERT GUDE, Maryland
PAUL N. McCLOSKEY, Jr., California
JOHN H. BUCHANAN Jr., Alabama
SAM STEIGER, Arizona
GARRY BROWN, Michigan
BARRY M. GOLDWATER, Jr., California
J. KENNETH ROBINSON, Virginia
WALTER E. POWELL, Ohio
CHARLES THONE, Nebraska

Herbert Roback, *Staff Director*
Christine Ray Davis, *Staff Administrator*
James A. Lanigan, *General Counsel*
Miles Q. Romney, *Associate General Counsel*
J. P. Carlson, *Minority Counsel*
William H. Copenhaver, *Minority Professional Staff*

Legal and Monetary Affairs Subcommittee

JOHN S. MONAGAN, Connecticut, *Chairman*

DANTE B. FASCELL, Florida
CORNELIUS E. GALLAGHER, New Jersey
FERNAND J. ST GERMAIN, Rhode Island
GEORGE W. COLLINS, Illinois
WM. J. RANDALL, Missouri

SAM STEIGER, Arizona
GARRY BROWN, Michigan
WALTER E. POWELL, Ohio
CHARLES THONE, Nebraska

EX OFFICIO

CHET HOLIFIELD, California
FLORENCE P. DWYER, New Jersey

Richard L. Still, *Staff Director*
Charles A. Intriago, *Counsel*
Jeremiah S. Buckley, *Counsel*
William C. Lynch, *Investigator*
Frances M. Turk, *Clerk*
Jane Cameron, *Assistant Clerk*

CONTENTS

APPENDIXES

OPERATIONS OF THE FEDERAL HOUSING ADMINISTRATION OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WEDNESDAY, OCTOBER 13, 1971

HOUSE OF REPRESENTATIVES,
LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2247, Rayburn House Office Building, Hon. John S. Monagan (chairman of the subcommittee) presiding.

Present: Representatives John S. Monagan, Dante B. Fascell, Fernand J. St Germain, George W. Collins, Garry Brown, and Charles Thone.

Staff present: Richard L. Still, staff director; Charles A. Intriago, counsel; Jeremiah S. Buckley, counsel; William C. Lynch, investigator; Frances M. Turk, clerk; Jane Cameron, assistant clerk; and J. P. Carlson, minority counsel, Committee on Government Operations.

Mr. MONAGAN. I will call the hearing to order.

On May 24, 1971, the Subcommittee on Legal and Monetary Affairs received testimony from Secretary George Romney concerning the general operations of the Department of Housing and Urban Development during the past 3 years. Responses to a number of questions submitted at the conclusion of the hearing have now been received and evaluated, making it possible for the subcommittee to examine thoroughly each component part of the Department with a view to determining departmental economy and efficiency.

It should be noted that this relatively young Department, established in 1966, has undergone a number of internal reorganizations, the most recent of which was designed to decentralize the Department's operations, placing more responsibility on the local and regional levels. We were assured by Secretary Romney that this final phase of the reorganization would be completed by September 30.

The subcommittee today begins an examination of the operations of the Federal Housing Administration. FHA accounts for better than 50 percent of the administrative budget of the Department of Housing and Urban Development and traditionally has played a unique catalytic role in the generation of mortgage money, for essentially single family housing. The Housing and Urban Development Act of 1968, which established national housing goals, placed an enormous responsibility on FHA. While FHA has assumed responsibility for the 235 and 236 housing program, serious questions have been raised as to its continuing efficiency in the nonsubsidized area. Departmental reorganization, with its emphasis on decentralization, including the establishment of new area offices, has possibly contributed to the apparent loss of efficiency which is a growing concern of this subcommittee.

In addition, this subcommittee, with its jurisdiction over the Treasury Department and the financial regulatory agencies of the Federal Government will be reviewing these agencies' operations with a view toward determining whether a significant cost savings can be realized with the emergence, for example, of the FNMA coupled with what appears to be a greater role for the GNMA. It is anticipated that the President's Commission on Financial Structure and Regulation with its mandate to make recommendations insuring a steady flow of mortgage money for both unsubsidized and subsidized housing, will be issuing its report in the near future. If the Commission's report does contain proposals for the reorganization of executive branch agencies, these would, of course, come before the full Committee on Government Operations.

Today we are privileged to have before us Eugene A. Gulledge, Assistant Secretary for Housing Production and Mortgage Credit. Secretary Gulledge has been asked to explain the Department's policy on the national allocation of new commitments of subsidized housing contract authority. In addition, he has been asked to be prepared to update the statistical data supplied after our May hearing and to comment on the Departmental reorganization which is now completed.

Before we proceed I should like to introduce into the record at this point the copies of an August 30 letter to Mr. Gulledge from the subcommittee regarding the subject of allocations, our September 30 letter of invitation to Mr. Gulledge, and Mr. Gulledge's October 7 reply to the August 30 letter with attachments.

The members may find copies of these letters in their folders. They do add an additional element of information for possible questioning, and they should be in the record at this point.

(The letters and data follow:)

AUGUST 30, 1971.

Mr. EUGENE A. GULLEDGE,
Assistant Secretary-Commissioner, Housing Production and Mortgage Credit, Department of Housing and Urban Development, Washington, D.C.

DEAR MR. GULLEDGE: The housing production programs authorized under Sections 235 and 236 of the National Housing Act are among the fastest growing programs administered by the Department of Housing and Urban Development, and the need which they seek to fulfill is certainly an urgent one. The subcommittee, of course, has a continuing responsibility to monitor the progress of these programs.

In this connection Mr. Buckley and I were pleased to have had the opportunity to discuss these programs with Mr. Cunningham, Mr. Kappeler, and Mr. Forest of your staff.

The subcommittee would appreciate it if you would supply the following information regarding your § 235 and § 236 programs:

(1) In response to question 3(a) in Chairman Monagan's letter of June 15 enclosing additional questions to be answered for the record of our May 24 overview hearing on the Department's operations, Secretary Romney listed some of the factors which are taken into consideration in making regional allocations under the § 235 and § 236 programs. We would appreciate a complete explanation of the

allocation process, including a list of the factors considered in making this determination with the relative weight assigned to each factor.

(2) Who within the Department has responsibility for determining allocations of contract authority for the § 235 and § 236 programs?

(3) Please supply a breakdown of allocations of contract authority under the § 235 and § 236 programs by region and also by HUD area offices or insuring offices (in these cases where the insuring office is not a part of the HUD area office) for fiscal years 1969, 1970, 1971 and 1972.

(4) Once a HUD area office or an insuring office has received contract authority for a particular number of § 235 and § 236 units, please explain the allocation process followed from that point on, stating what factors are taken into consideration in determining which project proposals will be awarded reservations. Who within HUD area offices or insuring offices has responsibility for determining which projects will be awarded reservations?

(5) Once a builder or sponsor has received a reservation and/or a conditional commitment under § 235 and § 236 programs may he sell or in any way transfer such a reservation or commitment to another builder or sponsor?

(6) Please supply a breakdown on a regional and area office or insuring office basis showing the number of reservations and/or conditional commitments under § 235 and § 236 programs which have been "turned back" by builders or sponsors who are unable to complete housing in fiscal years 1969, 1970, 1971, and 1972.

(7) In the event that a reservation is "turned back" because a builder or sponsor has been unable to complete housing, does the power to reallocate that reservation return to the insuring office or area office which initially granted the reservation to the builder or sponsor?

(8) Please estimate the amount of delay in housing production which has been occasioned by the failure of builders or sponsors to complete housing for which they have received reservations under the § 235 and § 236 programs.

(9) If an insuring office or area office is not using its contract authority under the § 235 and § 236 programs in an expeditious manner, is there any provision for reallocation of contract authority within its region or outside of its region?

In the absence of Chairman Monagan I am requesting that you supply responses to the above inquiries at your earliest convenience.

Sincerely yours,

Richard L. Still,
Subcommittee Staff Director.

September 30, 1971.

Mr. Eugene Gulledge,
Assistant Secretary for Housing Production and Mortgage Credit-FHA Commissioner, Department of Housing and Urban Development, Washington, D.C.

Dear Mr. Gulledge: You will recall that you were unable to appear before this subcommittee at our overview hearings in May regarding the Department of Housing and Urban Development. A significant number of questions regarding HUD operations which arose at that hearing concerned the activities of the Federal Housing Administration. This, of course, is not surprising in light of the high percentage of departmental personnel assigned to this division and the catalytic effect of many of the programs administered by FHA.

The subcommittee has a continuing interest in FHA operations. Your office has traditionally had the key role in the process of housing production, and the addition of responsibility for subsidized housing programs has increased your impact on the housing market.

This subcommittee with its mandate for oversight of HUD operations will be examining FHA on a continuing basis. We are requesting that you appear before the subcommittee on Wednesday, October 13, 1971 at 10 a.m. and be prepared to appear Thursday, October 14, in room 2247 of the Rayburn House Office Building to testify regarding FHA operations generally and, in particular, the method of allocating subsidized housing commitments on a regional, area office, and insuring office basis.

You have our letter of August 30 dealing with the general subject of allocation of subsidized housing commitments. The letter raises the type questions which the subcommittee will want to consider at the upcoming hearings, and we would appreciate it if you would direct your opening statement to those questions. In addition, we would appreciate your being prepared to update the statistical data contained in responses to questions raised at our May hearing and to present statistical data on the general subject of allocations and starts under FHA-administered programs.

Finally, since the last stage of the reorganization of the Department has recently been completed, the subcommittee would appreciate having your assessment of the effect of the reorganization upon the operations of the FHA.

Sincerely yours,

John S. Monagan, *Chairman.*

Department of Housing and Urban Development,
Federal Housing Administration,
Washington, D.C., October 7, 1971.

Mr. Richard L. Still,
Subcommittee Staff Director,
Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives, Washington, D.C.

Dear Mr. Still: This is in further reply to your letter of August 30, 1971, in which you requested further information concerning section 235 and section 236 on behalf of the subcommittee.

The nine questions you raised are answered below, in the order in which you asked them.

1. The methodology employed in determining allocations of contract authority to HUD field offices is known as "adjusted fair share." This methodology provides that every section of the country, as represented by the various area and insuring office jurisdictions, receives a proportionate share of assistance for low- and moderate-income housing, based on several factors.

Under this system, we utilize the budgetary projections of units for which reservations of contract authority will be made in a given calendar year for all subsidized programs. Allocations of contract authority are then made to area and insuring offices by the HUD central office, through and with regional office consultation, on the basis of need factors and two production factors. These factors are:

NEED FACTORS

(*a*) Program potentials. Standardized annual estimates of need for each housing program are made for all counties on the basis of family income distributions, ages of household heads, and housing conditions reported by the Census Bureau.

(*b*) Absorption potentials as estimated by the field offices.

PRODUCTION FACTORS

(*c*) Previous year program starts.

(*d*) Prospective starts as estimated by the field offices.

This enables us to establish an "adjusted fair share" for each jurisdiction modified by past and estimated production performance. In determining allocations of contract authority for fiscal year 1972, need and production factors are weighted on a 60–40 basis, respectively.

2. The responsibility for determining allocations of contract authority for sections 235 and 236 rests with the Assistant Secretary for Housing Production and Mortgage Credit-FHA Commissioner.

3. Allocations of section 235 and section 236 contract authority have not yet been finalized for fiscal year 1972. We expect to make them within the next several weeks, and will provide you that information when available. Allocations for the other years are enclosed.

4. Proposals undergo an evaluation according to project selection criteria. The criteria are currently in effect on an interim basis. These criteria provide for evaluation of the following areas: (1) Need for low(er) income housing; (2)

minority housing opportunities; (3) improved location for low(er) income families; (4) relationship to orderly growth and development; (5) relationship of proposed project to physical environment of the neighborhood; (6) efficient production; (7) project potential for creating minority employment and business opportunities; and, (8) provision for sound housing management. (This latter criterion is not applicable to section 235 proposals.)

These proposals which best fulfill the criteria will receive contract authority ahead of less satisfactory proposals within the market area.

The Director within the HUD area or insuring office has the ultimate responsibility for determining which proposals will be awarded reservations. Since it is the Director who makes the determination as to whether the proposal is feasible, the initial processing and evaluation of proposals according to the project selection criteria for section 236 proposals are the responsibility of the multifamily housing representative, subject to the approval of the program manager and the operations director in area offices. In insuring offices, processing and evaluation of section 236 proposals are the responsibility of the multifamily coordinator and subject to the approval of the chief underwriter. Processing and evaluation of section 235(i) proposals in area and insuring offices are the responsibility of the assistant director for single-family mortgage insurance and the chief underwriter, respectively.

5. A builder or sponsor may substitute another sponsor or transfer interest in a feasibility letter or conditional commitment with the approval of the issuing office under section 236. He may not transfer fund reservations under section 235.

6. The information requested is not readily available and would require a survey of all offices in order to obtain the necessary specifics. Since the beginning of the section 236 program, approximately 200 reservations of contract authority have been canceled. The reasons for the cancellations vary, but they have not been catalogued.

Every effort is made to assure that sponsors and builders are capable of completing their projects. The primary vehicle for making such a judgment is the project selection criteria. The criteria provide for evaluation of builders and sponsors in terms of their ability to proceed promptly to construction and completion, primarily in terms of past performance.

7. In the event that a reservation or conditional commitment is "turned back," the contract authority again becomes available to the office which issued the reservation or commitment.

8. In order to respond to this question, it would be necessary: (1) to know after what period of time a program reservation had been canceled; (2) to assume a standard period of time required for completion of 235 and 236 projects, regardless of size or other factors; (3) to assume that a new proposal would receive contract authority immediately; and, (4) to assume that the "replacement" project would proceed smoothly to completion at some specific rate of progress. Such assumptions could be made only on an arbitrary basis and would not provide an accurate answer to the question.

We believe that our processing procedures and program requirements are sufficient and have been successful in reducing potential delays in production to a minimum.

9. If it appears that a particular area or insuring office is not efficiently utilizing the contract authority allocated to it, the regional administrator may request that authority be withdrawn from that office and redistributed to other offices within his region in immediate need of additional authority. In cases of special need or urgency, the central office may redistribute contract authority among regions.

If we may provide you with any further information, please let us know.

Sincerely,

EUGENE A. GULLEDGE.

Enclosure.

SEC. 235 DISTRIBUTION BY FISCAL YEARS

	Fiscal year 1969 (70,000,000)	Fiscal year 1970 (125,000,000)	Fiscal year 1971 (130,000,000)	Grand total (325,000,000)
REGION I				
Connecticut: Hartford	$350,395	$1,077,469		$1,427,864
Maine: Bangor	127,044	449,016	$449,550	1,075,610
Massachusetts: Boston	698,724	1,292,326	1,018,119	3,009,169
New Hampshire: Manchester	174,312	436,798	351,030	962,140
Rhode Island: Providence	72,972	301,468	426,934	801,374
Vermont: Burlington	78,264	83,866	164,886	327,016
Total for region I	1,501,711	3,640,943	2,460,519	7,603,173
REGION II				
New Jersey:				
Camden	1,189,554	1,102,114	692,626	2,984,294
Newark	530,496	713,862	95,041	1,339,399
New York:				
Albany	426,888	507,892	488,135	1,422,915
Buffalo	1,471,789	1,767,707	151,590	3,391,086
Hempstead	45,000	55,060	300,395	400,455
New York				
Puerto Rico: San Juan	1,491,948	2,851,422	3,272,539	7,615,909
Total for region II	5,155,675	6,998,057	5,000,326	17,154,058
REGION III				
Delaware: Wilmington	353,460	167,322	83,151	603,633
District of Columbia: Washington	801,576	464,503	483,190	1,749,269
Maryland: Baltimore	484,668	1,089,945	344,695	1,919,308
Pennsylvania:				
Philadelphia	632,569	1,303,706	660,537	2,596,812
Pittsburgh	566,424	1,690,688	1,556,919	3,814,031
Virginia: Richmond	789,444	1,383,652	1,099,968	3,273,064
West Virginia: Charleston	1,129,608	839,160		1,968,768
Total for region III	4,757,449	6,938,976	4,228,460	15,924,885
REGION IV				
Alabama: Birmingham	1,529,460	3,393,750	4,030,507	8,953,717
Florida:				
Jacksonville	1,345,284	1,680,700	2,114,104	5,140,088
Miami	965,304	1,407,671	1,909,603	4,282,578
Tampa	1,069,632	3,377,988	4,073,835	8,521,455
Georgia: Atlanta	1,946,484	4,796,680	5,955,174	12,698,338
Kentucky: Louisville	1,284,012	2,891,077	2,318,565	6,493,654
Mississippi: Jackson	819,684	3,143,116	3,053,258	7,016,058
North Carolina: Greensboro	999,684	2,283,016	3,407,681	6,690,381
South Carolina: Columbia	1,602,792	4,168,278	5,636,732	11,407,802
Tennessee:				
Knoxville	1,032,192	3,763,878	2,166,158	6,962,228
Memphis	926,352	2,317,728	2,655,484	5,899,564
Total for region IV	13,520,880	33,223,882	37,321,101	84,065,863
REGION V				
Illinois:				
Chicago	1,906,416	2,984,282	4,938,929	9,829,627
Springfield	928,584	2,466,740	1,203,799	4,599,123
Indiana: Indianapolis	1,382,328	3,183,970	3,638,679	7,159,977
Michigan:				
Detroit	2,142,000	5,108,330	6,687,370	13,937,700
Grand Rapids	1,148,004	2,317,696	2,045,498	5,511,198
Minnesota: Minneapolis	508,572	1,134,668	948,875	2,592,115
Ohio:				
Cincinnati	1,444,824	1,206,276	1,202,784	3,853,884
Cleveland	387,936	2,484,524	473,131	3,345,591
Columbus	868,104	1,700,660	1,572,450	4,141,214
Wisconsin; Milwaukee	2,020,284	2,352,656	1,617,166	5,990,106
Total for region V	12,737,052	24,894,802	23,328,681	60,960,535

SEC. 235 DISTRIBUTION BY FISCAL YEARS—Continued

	Fiscal year 1969 (70,000,000)	Fiscal year 1970 (125,000,000)	Fiscal year 1971 (130,000,000)	Grand total (325,000,000)
REGION VI				
Arkansas: Little Rock	$665, 460	$1, 046, 277	$2, 382, 309	$4, 094, 046
Louisiana:				
New Orleans	1, 314, 288	3, 621, 921	3, 838, 777	8, 774, 986
Shreveport	1, 305, 216	2, 116, 904	1, 695, 876	5, 117, 996
New Mexico: Albuquerque	629, 172	1, 093, 438	1, 487, 391	3, 210, 001
Oklahoma:				
Oklahoma City	645, 048	1, 249, 312	1, 399, 629	3, 293, 989
Tulsa	452, 988	1, 003, 902	1, 461, 648	2, 918, 538
Texas: Dallas	1, 383, 840	2, 451, 736	4, 011, 124	7, 846, 700
Fort Worth	688, 140	953, 110	1, 928, 337	3, 569, 587
Houston	555, 840	947, 170	89, 000	1, 592, 010
Lubbock	550, 548	1, 195, 502	313, 319	2, 059, 369
San Antonio	1, 502, 928	4, 150, 942	2, 641, 357	8, 295, 227
Total for region VI	9, 693, 468	19, 830, 214	21, 248, 767	50, 772, 449
REGION VII				
Iowa: Des Moines	1, 218, 931	1, 639, 649	2, 885, 727	5, 744, 307
Kansas:				
Kansas City	587, 592	1, 236, 732	1, 699, 869	3, 524, 193
Topeka	869, 580	1, 078, 210	41, 530	1, 989, 320
Missouri: St. Louis	637, 488	842, 432	1, 302, 129	2, 782, 049
Nebraska: Omaha	1, 027, 296	1, 332, 354	1, 285, 112	3, 644, 762
Total for region VII	4, 340, 887	6, 129, 377	7, 214, 367	17, 684, 631
REGION VIII				
Colorado: Denver	2, 011, 896	1, 987, 886	2, 847, 114	6, 856, 896
Montana: Helena	406, 440	463, 100	442, 999	1, 312, 539
North Dakota: Fargo	96, 408	324, 522	232, 061	652, 991
South Dakota: Sioux Falls	549, 000	454, 490	257, 811	1, 261, 301
Utah: Salt Lake City	1, 051, 488	1, 962, 275	1, 873, 746	4, 887, 509
Wyoming: Casper	93, 384	195, 416	218, 501	507, 301
Total for region VIII	4, 208, 616	5, 387, 689	5, 882, 232	15, 478, 537
REGION IX				
Arizona: Phoenix	1, 053, 432	1, 040, 198	2, 647, 491	4, 741, 121
California:				
Los Angeles	770, 940	1, 452, 220	2, 079, 673	4, 302, 833
Sacramento	1, 413, 324	2, 297, 656	2, 700, 419	6, 411, 399
San Diego	738, 792	1, 309, 078	1, 150, 657	3, 198, 527
San Francisco	877, 212	2, 177, 892	4, 664, 515	7, 719, 619
Santa Ana	635, 976	1, 157, 944	2, 132, 284	3, 926, 204
Hawaii: Honolulu	630, 000	487, 740	415, 376	1, 533, 116
Nevada: Reno	556, 164	1, 432, 188	2, 416, 872	4, 405, 224
Total for region IX	6, 675, 840	11, 354, 916	18, 207, 287	36, 238, 043
REGION X				
Alaska: Anchorage	55, 584	98, 546	393, 238	547, 368
Idaho: Boise	223, 092	393, 828	522, 890	1, 139, 810
Oregon: Portland	1, 422, 396	1, 846, 222	1, 630, 165	4, 871, 783
Washington:				
Seattle	1, 407, 018	3, 065, 192	1, 921, 218	6, 393, 428
Spokane	541, 476	1, 321, 874	669, 171	2, 532, 521
Total for region X	3, 649, 566	6, 725, 662	5, 109, 682	15, 484, 910
U.S. total	66, 241, 144	125, 124, 518	130, 001, 422	321, 367, 084

SEC. 236 DISTRIBUTION

	Compt. repeat. June 30, 1969, (70,000,000)	Fiscal year 1970 (120,000,000)	Fiscal year 1971 (135,000,000)	Total 236 distribution, fiscal years 1969–70 and 1971
REGION I				
Connecticut: Hartford	$784, 414	$5, 266, 665	$3, 129, 163	$9, 180, 242
Maine: Bangor		406, 009	512, 529	918, 538
Massachusetts: Boston	2, 370, 277	7, 078, 908	9, 658, 874	19, 108, 059
New Hampshire: Manchester	136, 665	709, 780	586, 561	1, 433, 006
Rhode Island: Providence	83, 660	929, 333	582, 101	1, 595, 094
Vermont: Burlington		234, 348	185, 199	419, 547
Total for region I	3, 375, 016	14, 625, 043	14, 654, 427	32, 654, 486
REGION II				
New Jersey:				
Camden	91, 876	1, 726, 680	1, 038, 039	2, 856, 595
Newark	75, 685	4, 080, 981	3, 971, 502	8, 138, 168
New York:				
Albany	119, 338	1, 783, 605	3, 638, 269	5, 541, 212
Buffalo		1, 452, 456	2, 394, 841	3, 847, 297
Hempstead				
New York	2, 338, 646	9, 284, 511	20, 061, 607	31, 684, 764
Puerto Rico: San Juan	220, 202	2, 169, 075	2, 378, 360	4, 767, 637
Total for region II	2, 845, 747	20, 497, 308	33, 482, 618	56, 825, 673
REGION III				
Delaware: Wilmington		365, 224	241, 636	606, 860
District of Columbia: Washington	1, 018, 432	5, 090, 847	1, 229, 350	7, 338, 629
Maryland: Baltimore	181, 533	3, 358, 078	1, 269, 827	4, 809, 438
Pennsylvania:				
Philadelphia		3, 020, 762	2, 007, 618	5, 028, 380
Pittsburgh	859, 959	2, 166, 226	1, 875, 271	4, 901, 446
Virginia: Richmond	450, 240	2, 453, 491	1, 651, 690	4, 555, 421
West Virginia: Charleston		816, 690	1, 129, 903	1, 946, 593
Total for region III	2, 510, 154	17, 271, 318	9, 405, 295	29, 186, 767
REGION IV				
Alabama: Birmingham		902, 472	376, 311	1, 278, 783
Florida:				
Jacksonville	94, 465	1, 941, 521	445, 560	2, 481, 546
Miami	61, 429	1, 902, 429	1, 365, 442	3, 329, 300
Tampa		4, 229, 626	1, 830, 445	6, 060, 071
Georgia: Atlanta	567, 089	3, 847, 042	3, 398, 705	7, 812, 836
Kentucky: Louisville	157, 315	2, 012, 080	1, 202, 208	3, 371, 603
Mississippi: Jackson	75, 048	1, 247, 549	326, 367	1, 648, 964
North Carolina: Greensboro	110, 924	2, 157, 262	1, 034, 818	3, 303, 004
South Carolina: Columbia	170, 367	1, 251, 121	764, 086	2, 185, 574
Tennessee:				
Knoxville	279, 091	1, 091, 608	672, 141	2, 042, 840
Memphis		817, 295	862, 137	1, 679, 432
Total for region IV	1, 515, 728	21, 400, 005	12, 278, 220	35, 193, 953
REGION V				
Illinois:				
Chicago	606, 080	5, 667, 298	3, 821, 528	10, 094, 906
Springfield	121, 777	1, 701, 474	1, 150, 933	2, 974, 184
Indiana: Indianapolis	741, 920	7, 180, 241	2, 225, 404	10, 147, 565
Michigan:				
Detroit	682, 651	7, 708, 793	4, 488, 175	12, 879, 619
Grand Rapids	312, 176	2, 039, 537	1, 789, 461	4, 141, 174
Minnesota: Minneapolis	15, 751	2, 162, 491	2, 392, 898	4, 571, 140
Ohio:				
Cincinnati	82, 707	1, 316, 476	1, 460, 691	2, 859, 874
Cleveland	394, 978	2, 383, 844	2, 886, 194	5, 665, 016
Columbus	322, 958	955, 105	2, 521, 489	3, 799, 552
Wisconsin: Milwaukee	77, 996	1, 327, 021	1, 405, 941	2, 810, 958
Total for region V	3, 358, 994	32, 442, 280	24, 142, 714	59, 943, 988

SEC. 236 DISTRIBUTION—Continued

	Compt. repeat. June 30, 1969, (70,000,000)	Fiscal year 1970 (120,000,000)	Fiscal year 1971 (135,000,000)	Total 236 distribution, fiscal years 1969–70 and 1971
REGION VI				
Arkansas: Little Rock	$38,138	$1,255,290	$521,905	$1,815,333
Louisiana:				
New Orleans	40,995	2,100,476	1,287,210	3,428,681
Shreveport		177,336	150,476	327,812
New Mexico: Albuquerque		603,004	257,384	860,388
Oklahoma:				
Oklahoma City		1,064,343	724,451	1,788,794
Tulsa		1,014,562	599,577	1,614,139
Texas:				
Dallas	1,718,089	4,015,753	1,844,367	7,578,209
Fort Worth	52,035	1,760,318	920,927	2,733,280
Houston		2,257,652	608,903	2,866,555
Lubbock		890,429	236,677	1,127,106
San Antonio	583,987	2,018,178	1,287,118	3,889,283
Total for region VI	2,433,244	17,157,341	8,438,995	28,029,580
REGION VII				
Iowa: Des Moines	156,104	1,790,661	672,447	2,619,212
Kansas:				
Kansas City	1,689	2,098,941	1,805,087	3,905,717
Topeka		1,613,943	298,626	1,912,569
Missouri: St. Louis		773,446	1,305,161	2,078,607
Nebraska: Omaha		901,946	229,557	1,131,503
Total for Region VII	157,793	7,178,937	4,310,878	11,647,608
REGION VIII				
Colorado: Denver	21,754	2,047,372	1,119,311	3,188,437
Montana: Helena	47,581	505,452	676,591	1,229,624
North Dakota: Fargo		220,828	123,000	343,828
South Dakota: Sioux Falls		100,555	265,019	365,574
Utah: Salt Lake City	8,040	215,154	140,800	363,994
Wyoming: Casper		135,579	37,717	173,296
Total for region VIII	77,375	3,224,940	2,362,438	5,664,753
REGION IX				
Arizona: Phoenix	41,455	1,219,201	1,180,757	2,441,413
California:				
Los Angeles	652,177	7,039,988	4,663,487	12,355,652
Sacramento	431,138	1,371,679	763,866	2,566,683
San Diego	166,512	3,028,126	1,470,764	4,665,402
San Francisco	679,127	6,412,518	4,696,381	11,788,026
Santa Ana				
Hawaii: Honolulu		693,200	752,281	1,445,481
Nevada: Reno	88,505	449,143	302,333	839,981
Total for region IX	2,058,914	20,213,855	13,829,869	36,102,638
REGION X				
Alaska: Anchorage		131,064	69,418	200,482
Idaho: Boise	26,856	153,590	214,708	395,154
Oregon: Portland		922,012	723,866	1,645,878
Washington:				
Seattle	179,333	3,342,778	1,031,069	4,553,180
Spokane		721,050	261,101	982,151
Total for region X	206,189	5,270,494	2,300,162	7,776,845
U.S. total	18,539,154	159,281,521	125,205,616	303,026,291

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOMEOWNERSHIP ASSISTANCE, SEC. 235—USE OF CONTRACT AUTHORITY

[Dollars in thousands]

	Fiscal year 1969 actual	Fiscal year 1970 actual	Fiscal year 1971 actual	Fiscal year 1972 through Sept. 24, 1971
Unit reservations	27,698	143,234	142,154	31,433
Amount reserved	$21,024	$129,592	$139,020	$22,775

RENTAL HOUSING ASSISTANCE, SEC. 236—USE OF CONTRACT AUTHORITY

[Dollars in thousands]

	Fiscal year 1969 actual	Fiscal year 1970 actual	Fiscal year 1971 actual	Fiscal year 1972 through Sept. 24, 1971
Unit reservations	21,637	131,744	158,892	19,382
Amount reserved	$18,539	$132,238	$144,372	$15,297

HOMEOWNERSHIP ASSISTANCE, SEC. 235—USE OF SPECIAL SET-ASIDE CONTRACT AUTHORITY

[In thousands of dollars]

Purpose	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972[1] through Sept. 24, 1971
Model cities	1,336	2,695	2,919	
Project Rehab		58	1,026	17,000
State and local aided			145	
Operation Breakthrough			51	856
New communities			44	
Los Angeles plan			428	
Department of Agriculture	349	2,803	4,143	
Total	1,685	5,556	8,756	17,856

[1] Central office set-asides, except Project Rehab and Operation Breakthrough, have been discontinued. They will be made at the field office level.

RENTAL HOUSING ASSISTANCE, SEC. 236—USE OF SPECIAL SET-ASIDE CONTRACT AUTHORITY

[In thousands of dollars]

Purpose	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972[1] through Sept. 24, 1971
Model cities	2,032	8,927	11,391	
Project Rehab		4,715	7,693	10,000
State and local aided		7,811	21,966	
Sec. 202 pipeline (elderly housing)		16,804	9,549	
Operation Breakthrough			3,586	18,500
New communities			93	
Impact housing (military)			826	
Los Angeles plan			406	
Business participation		1,001	−102	
Total	2,032	39,258	55,408	28,500

[1] Central office set-asides, except Project Rehab and Operation Breakthrough, have been discontinued. They will be made at the field office level.

RESERVATIONS FOR 235 CONTRACT AUTHORITY

	Total reservations fiscal year 1969	Total reservations fiscal year 1070	Total reservations fiscal year 1971	Total reservations fiscal year 1972 to Sept. 24, 1971	Total reservations, made fiscal year 1969 through Sept. 24, 1971
Region I					
Connecticut: Hartford	$77,666	$519,679	$639,492	$154,079	$1,390,916
Maine: Bangor	37,044	350,616	225,876	436,560	1,050,096
Massachusetts: Boston	244,188	1,181,149	1,417,676	131,759	2,974,772
New Hampshire: Manchester	35,532	367,589	558,998	[1] −(7,704)	954,424
Rhode Island: Providence	24,192	222,028	515,162	36,808	798,190
Vermont: Burlington	31,752	89,278	151,098	58,208	330,336
Total for region I	450,374	2,730,348	3,508,302	809,710	7,498,731
REGION II					
New Jersey:					
Camden	287,286	1,169,333	1,288,443	[1] −(103,576)	2,641,486
Newark	102,816	609,714	472,538	71,220	1,256,288
New York:					
Albany	107,352	625,198	467,818	[1] −(154,936)	1,045,432
Buffalo	218,484	1,828,106	530,306	76,184	2,653,080
Hempstead		41,860	269,076	103,576	414,512
New York					
Puerto Rico: San Juan	590,436	2,373,434	4,598,322	32,528	7,594,720
Total for region II	1,306,374	6,647,645	7,626,503	24,996	15,605,518
REGION III					
Delaware: Wilmington	83,160	148,890	217,515	144,844	594,409
District of Columbia: Washington	244,944	826,701	408,632	123,751	1,604,028
Maryland: Baltimore	303,156	858,004	343,368	356,185	1,860,713
Pennsylvania:					
Philadelphia	130,009	1,255,012	1,170,744	391,388	2,947,153
Pittsburgh	111,132	1,532,047	1,936,012	27,534	3,606,725
Virginia: Richmond	337,176	1,245,314	1,372,006	338,120	3,292,616
West Virginia: Charleston	767,340	979,860	[1] (734,808)	[1] −(267,072)	745,320
Total for region III	1,976,917	6,845,828	4,713,469	1,114,750	14,650,964
REGION IV					
Alabama: Birmingham	404,460	3,675,980	3,854,936	956,152	8,891,528
Florida: Jacksonville	444,528	2,183,636	2,380,054	422,540	5,430,758
Miami	291,816	1,482,369	2,362,762	213,144	4,350,091
Tampa	393,876	3,355,324	4,741,632	720,752	9,211,584
Georgia: Atlanta	581,364	5,206,235	7,209,502	893,264	13,890,365
Kentucky: Louisville	472,500	2,934,779	2,439,128	887,112	6,733,519
Mississippi: Jackson	308,448	3,015,862	3,114,644	656,838	7,095,792
North Carolina: Greensboro	368,928	2,213,652	4,060,700	28,248	6,671,528
South Carolina: Columbia	472,500	4,416,020	5,597,216	1,298,552	11,784,288
Tennessee:					
Knoxville	394,632	3,675,798	2,141,554	848,344	7,060,328
Memphis	296,352	1,982,284	3,057,876	633,735	5,970,247
Total for region IV	4,429,404	34,141,939	40,960,004	7,558,681	87,090,028
REGION V					
Illinois:					
Chicago	574,560	3,342,990	5,342,346	770,400	10,030,296
Springfield	390,096	2,369,478	975,430	949,304	4,684,308
Indiana: Indianapolis	483,084	3,243,795	2,920,246	525,889	7,173,014
Michigan:					
Detroit	542,052	5,674,158	4,643,782	2,676,712	13,536,704
Grand Rapids	250,992	2,617,328	1,003,608	305,592	4,177,520
Minnesota: Minneapolis	102,816	1,113,854	904,714	124,120	2,245,504
Ohio:					
Cincinnati	229,824	1,940,526	1,208,906	6,848	3,386,104
Cleveland	113,400	2,040,570	564,206	469,944	3,188,120
Columbus	322,056	1,638,351	1,868,986	375,846	4,205,239
Wisconsin: Milwaukee	444,528	2,351,892	2,160,887	493,403	6,350,710
Total for region V	3,453,408	27,232,942	21,593,111	6,698,058	58,977,519

See footnote at end of table.

RESERVATIONS FOR 235 CONTRACT AUTHORITY—Continued

	Total reservations fiscal year 1969	Total reservations fiscal year 1970	Total reservations fiscal year 1971	Total reservations fiscal year 1972 to Sept. 24, 1971	Total reservations, made fiscal year 1969 through Sept. 24, 1971
REGION VI					
Arkansas: Little Rock	$205, 632	$1, 134, 502	$2, 607, 425	$399, 698	$4, 347, 257
Louisiana:					
New Orleans	421, 848	3, 384, 682	4, 107, 686	1, 176, 144	9, 090, 360
Shreveport	400, 680	2, 625, 070	1, 834, 658	578, 656	5, 439, 064
New Mexico: Albuquerque	174, 636	1, 163, 064	1, 773, 612	273, 920	3, 385, 232
Oklahoma:					
Oklahoma City	182, 196	1, 231, 034	1, 738, 002	485, 352	3, 636, 584
Tulsa	88, 452	1, 014, 468	1, 693, 296	219, 992	3, 016, 208
Texas:					
Dallas	483, 840	2, 369, 010	4, 641, 390	810, 632	8, 304, 872
Forth Worth	236, 628	1, 025, 542	2, 084, 894	450, 265	3, 797, 320
Houston	102, 816	901, 824	402, 272	234, 544	1, 641, 456
Lubbock	91, 476	959, 408	941, 665	110, 707	2, 103, 256
San Antonio	557, 928	4, 789, 232	1, 940, 710	503, 328	7, 791, 198
Total for region VI	2, 946, 132	20, 597, 836	23, 765, 610	5, 243, 229	52, 552, 807
REGION VII					
Iowa: Des Moines	395, 323	1, 960, 248	2, 907, 882	600, 912	5, 864, 365
Kansas:					
Kansas City	133, 056	1, 323, 628	233, 994	171, 200	2, 007, 704
Topeka	415, 044	1, 187, 466	1, 477, 718	619, 616	3, 554, 018
Missouri: St. Louis	185, 976	1, 078, 924	1, 433, 692	[1] (38, 520)	2, 660, 072
Nebraska: Omaha	342, 468	1, 732, 332	1, 266, 731	138, 672	3, 480, 203
Total for region VII	1, 471, 867	7, 282, 598	7, 320, 017	1, 491, 880	17, 566, 362
REGION VIII					
Colorado; Denver	582, 876	2, 860, 656	2, 999, 755	196, 176	6, 639, 463
Montana; Helena	180, 684	529, 116	495, 168	24, 824	1, 229, 792
North Dakota; Fargo	51, 408	300, 762	214, 614	43, 656	610, 440
South Dakota; Sioux Falls	182, 952	649, 698	410, 062	16, 264	1, 258, 976
Utah; Salt Lake City	374, 220	2, 292, 990	2, 042, 958	118, 984	4, 829, 152
Wyoming; Casper	48, 384	179, 116	248, 444	31, 672	507, 616
Total for region VIII	1, 420, 524	6, 812, 338	6, 411, 001	431, 576	15, 075, 439
REGION IX					
Arizona; Phoenix	241, 920	1, 202, 520	3, 231, 968	202, 872	4, 879, 280
California:					
Los Angeles	275, 184	1, 484, 382	1, 590, 659	538, 424	3, 888, 649
Sacramento	509, 544	2, 530, 766	2, 679, 666	507, 608	6, 227, 584
San Diego	284, 256	1, 205, 394	1, 554, 317	130, 617	3, 234, 584
San Francisco	245, 700	2, 102, 734	4, 221, 121	742, 152	7, 311, 707
Santa Ana	251, 748	1, 118, 751	2, 162, 277	272, 208	3, 804, 984
Hawaii; Honolulu		920, 010	457, 486	153, 224	1, 530, 720
Nevada; Reno	239, 652	1, 448, 398	2, 496, 262	162, 640	4, 346, 952
Total for region IX	2, 048, 004	12, 072, 955	18, 393, 756	2, 709, 745	35, 224, 460
REGION X					
Alaska; Anchorage	10, 584	101, 346	282, 062	11, 984	405, 976
Idaho; Boise	43, 336	464, 534	399, 394	196, 880	1, 103, 144
Oregon; Portland	522, 396	2, 245, 696	1, 881, 764	215, 622	4, 865, 478
Washington:					
Seattle	507, 774	3, 006, 608	2, 789, 811	600, 591	6, 904, 784
Spokane	89, 964	1, 495, 256	883, 100	78, 752	2, 547, 072
Total for region X	1, 173, 054	7, 313, 440	6, 236, 131	1, 103, 829	15, 826, 454
U.S. total	20, 676, 058	131, 677, 869	140, 527, 904	27, 186, 454	320, 068, 285

[1] Cancellations and recapture.

RESERVATIONS FOR 236 CONTRACT AUTHORITY

	Total reservations less sec. 202				Cumulative total		
					Sec. 202/236 reservations to Sept. 24, 1971		Reservations to Sept. 24, 1971
	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972 to Sept. 24, 1971	Units	Amount	
REGION I							
Connecticut: Hartford	$784, 414	$4, 175, 971	$3, 068, 253	$641, 446	485	$423, 468	$9, 093, 552
Maine: Bangor		117, 069	614, 357	360, 174			1, 091, 600
Massachusetts: Boston	2, 370, 277	5, 046, 292	9, 565, 278	800, 931	1, 695	1, 683, 376	19, 466, 154
New Hampshire: Manchester	136, 665	548, 780	405, 624	169, 540	80	68, 919	1, 329, 528
Rhode Island: Providence	83, 660	712, 294	754, 634	183, 097			1, 733, 685
Vermont: Burlington		164, 348	248, 737				413, 085
Total for region I	3, 375, 016	10, 764, 754	14, 656, 883	2, 155, 188	2, 260	2, 175, 763	33, 127, 604
REGION II							
New Jersey:							
Camden	91, 876	1, 110, 453	1, 029, 336	177, 998	476	346, 110	2, 755, 773
Newark	75, 685	3, 395, 502	3, 284, 179	—210, 208	361	350, 177	6, 895, 335
New York:							
Albany	119, 338	1, 447, 956	3, 691, 081	122, 065	144	140, 197	5, 520, 637
Buffalo		1, 165, 456	2, 661, 921	—76, 165			3, 751, 212
Hempstead							
New York	2, 338, 646	11, 097, 812	15, 960, 340	1, 893, 606			31, 290, 404
Puerto Rico: San Juan	202, 202	1, 644, 075	2, 698, 291				4, 562, 568
Total for region II	2, 845, 747	19, 861, 254	29, 325, 148	1, 907, 296	981	836, 484	54, 775, 929
REGION III							
Delaware: Wilmington		279, 040	65, 879	121, 113	160	121, 258	587, 290
District of Columbia: Washington	1, 018, 432	3, 779, 931	2, 264, 768	84, 129	192	175, 955	7, 323, 215
Maryland: Baltimore	181, 533	2, 460, 871	1, 310, 819	152, 298	391	351, 318	4, 456, 839
Pennsylvania:							
Philadelphia		2, 247, 984	1, 130, 813	422, 798	1, 657	1, 380, 689	5, 182, 284
Pittsburgh	859, 949	1, 414, 784	1, 646, 132	316, 466	437	550, 145	4, 787, 476
Virginia: Richmond	450, 240	1, 557, 329	2, 071, 672	605, 295	144	158, 244	4, 842, 780
West Virginia: Charleston		539, 220	542, 305	399, 975	210	204, 629	1, 686, 129
Total for region III	2, 510, 154	12, 279, 159	9, 032, 388	2, 102, 074	3, 191	2, 942, 238	28, 866, 013
REGION IV							
Alabama: Birmingham		650, 472	574, 418	175, 255	206	151, 324	1, 551, 469
Florida:							
Jacksonville	94, 465	1, 235, 995	520, 506	255, 073	619	580, 107	2, 686, 146
Miami	61, 429	902, 117	1, 901, 537	227, 135	420	407, 898	3, 500, 116
Tampa		1, 767, 981	834, 472	—3	2, 777	2, 724, 428	5, 326, 878
Georgia: Atlanta	567, 089	2, 209, 998	3, 161, 738	—46, 129	1, 676	1, 573, 455	7, 466, 151
Kentucky: Louisville	157, 315	403, 555	1, 787, 686	278, 511	989	1, 010, 030	3, 637, 097
Mississippi: Jackson	75, 048	252, 579	607, 426	23, 891	618	592, 823	1, 551, 767
North Carolina: Greensboro	110, 924	1, 317, 132	1, 579, 167	12, 416	366	290, 247	3, 309, 886
South Carolina: Columbia	170, 367	871, 246	581, 506	143, 375	429	380, 811	2, 147, 305
Tennessee:							
Knoxville	279, 091	394, 864	746, 722	264, 979	240	257, 472	1, 943, 128
Memphis		197, 744	1, 093, 532	—7, 701	408	383, 212	1, 666, 787
Total for region IV	1, 515, 728	10, 203, 683	13, 388, 710	1, 326, 802	8, 748	8, 351, 807	34, 786, 730
REGION V							
Illinois:							
Chicago	606, 080	3, 085, 734	5, 425, 778	15, 176	121	103, 823	9, 236, 591
Springfield	121, 777	1, 145, 031	1, 343, 685	328, 362			2, 938, 855
Indiana:							
Indianapolis	741, 920	5, 465, 343	3, 537, 741	—357, 922	426	374, 867	9, 761, 949
Michigan:							
Detroit	682, 651	5, 795, 692	4, 263, 454	742, 033	840	692, 044	12, 175, 874
Grand Rapids	312, 176	1, 386, 212	2, 221, 831	56, 197			3, 976, 416
Minnesota: Minneapolis	15, 751	1, 416, 835	2, 003, 125	632, 618	507	477, 301	4, 545, 630
Ohio:							
Cincinnati	82, 707	805, 973	1, 709, 693	99, 377	137	122, 003	2, 819, 753
Cleveland	394, 978	1, 248, 302	3, 049, 640	288, 194	689	623, 080	5, 604, 194
Columbus	322, 958	513, 492	1, 856, 425	600, 397	154	158, 113	3, 451, 385
Wisconsin: Milwaukee	77, 996	821, 119	1, 734, 068	2, 632	201	112, 810	2, 748, 625
Total for region V	3, 358, 994	21, 638, 733	27, 145, 440	2, 407, 064	3, 075	2, 664, 041	57, 259, 272

RESERVATIONS FOR 236 CONTRACT AUTHORITY—Continued

	Total reservations less sec. 202				Cumulative total		
					Sec. 202/236 reservations to Sept. 24, 1971		
	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972 to Sept. 24, 1971	Units	Amount	Reservations to Sept. 24, 1971
REGION VI							
Arkansas: Little Rock	$38,138	$975,316	$780,824	$206,426			$2,000,704
Louisiana:							
New Orleans	40,995	1,471,209	1,447,642	100,608	195	$207,695	3,268,149
Shreveport		93,336	231,354				324,690
New Mexico: Albuquerque		395,504	455,018	60,762			911,284
Oklahoma:							
Oklahoma City		875,343	902,293	1,884			1,779,520
Tulsa		610,077	806,221		151	103,485	1,519,783
Texas:							
Dallas	1,718,089	2,740,474	2,444,298	185,373	181	183,279	7,271,513
Fort Worth	52,035	1,133,818	1,094,312	346,695			2,623,860
Houston		1,697,471	986,153	−23,375	127	122,867	2,783,116
Lubbock		383,721	671,688	−109,238			946,171
San Antonio	583,987	1,633,760	1,484,692	81,278			3,783,717
Total for region VI	2,433,244	12,010,029	11,304,495	847,413	654	617,326	27,212,507
REGION VII							
Iowa: Des Moines	156,104	1,271,112	931,805	29,644	240	211,861	2,600,526
Kansas:							
Kansas City	1,689	1,529,997	1,866,426	−72,490	149	145,685	3,471,307
Topeka		1,437,015	457,996	91,059			1,986,070
Missouri: St. Louis		366,980	865,032	261,944	712	682,930	2,176,886
Nebraska: Omaha		675,620	340,839	−3,962	92	103,504	1,116,001
Total for region VII	157,793	5,280,724	4,462,098	306,195	1,193	1,143,980	11,350,790
REGION VIII							
Colorado: Denver	21,754	1,359,124	1,253,331	132,355	445	431,279	3,197,843
Montana: Helena	47,581	254,876	465,750	142,877	362	286,805	1,197,889
North Dakota: Fargo		133,328	167,759	76,031			377,118
South Dakota: Sioux Falls		39,797	320,698	37,718			398,213
Utah: Salt Lake City	8,040	138,154	152,806	53,403			352,403
Wyoming: Casper		100,579	65,078	−6,375			159,282
Total for region VIII	77,375	2,025,858	2,425,422	436,009	807	718,084	5,682,748
REGION IX							
Arizona: Phoenix	41,455	566,182	1,139,164	205,972	390	401,337	2,354,110
California:							
Los Angeles	652,177	4,238,097	4,202,135	48,484	2,921	2,726,063	11,866,956
Sacramento	431,138	1,065,623	1,026,101	29,131			2,551,993
San Diego	166,512	2,220,351	1,222,672	43,570	904	836,025	4,489,130
San Francisco	679,127	4,188,459	4,777,758	−121,437	2,336	2,217,482	11,741,389
Santa Ana							
Hawaii: Honolulu		570,700	685,562	1,031,535			2,287,797
Nevada: Reno	88,505	291,643	173,570	424,433	132	200,333	1,178,484
Total for region IX	2,058,914	13,141,055	13,226,962	1,661,688	6,683	6,381,240	36,469,859
REGION X							
Alaska: Anchorage		61,064	78,723	220,070			359,857
Idaho: Boise	26,856	108,560	111,282	89,995			336,693
Oregon: Portland		579,278	649,657	217,982	242	191,431	1,638,348
Washington:							
Seattle	179,333	2,356,854	907,014	71,210	1,046	918,122	4,432,533
Spokane		363,605	415,165	44,120	175	159,261	982,151
Total for region X	206,189	3,469,361	2,161,841	643,377	1,463	1,268,814	7,749,582
U.S. total	18,539,154	110,719,610	127,129,387	13,793,106	29,055	27,099,777	297,281,034

Note: Rehabilitation is not included because office by office breakdown is not available. Total Sec. 236 rehabilitation received was $13,165,438 as of Sept. 24, 1971.

DISTRIBUTION OF UNIT APPLICATION RECEIPTS FOR SELECTED PROGRAMS BY REGION AND BY INSURING OFFICE, AS OF SEPT. 20, 1971

	Preapplication[1]		Total home mortgage applications[2]
	Sec. 235	Sec. 236	
REGION I			
Connecticut: Hartford	950	8,629	23
Maine: Bangor	150		21
Massachusetts: Boston			204
New Hampshire: Manchester		655	10
Rhode Island: Providence	146		31
Vermont: Burlington			9
Total for region I	1,246	9,284	298
REGION II			
New Jersey:			
Camden			143
Newark	18		621
New York:			
Albany			100
Buffalo			110
Hempstead			693
New York			
Puerto Rico: San Juan	5,720		412
Total for region II	5,738		2,079
REGION III			
Delaware: Wilmington		169	26
District of Columbia: Washington			498
Maryland: Baltimore		1,423	122
Pennsylvania:			
Philadelphia			453
Pittsburgh		256	212
Virginia: Richmond	95	2,999	82
West Virginia: Charleston		1,364	24
Total for Region III	95	6,211	1,417
REGION IV			
Alabama: Birmingham		322	173
Florida:			
Jacksonville		977	349
Miami	11,559	412	441
Tampa	6,895	1,116	312
Georgia: Atlanta	210		439
Kentucky: Louisville	2,500	816	211
Mississippi: Jackson	4,437	120	82
North Carolina: Greensboro		1,568	537
South Carolina: Columbia		864	228
Tennessee:			
Knoxville	2,080		68
Memphis	2,000		96
Nashville			47
Total for region IV	29,618	6,195	2,983
REGION V			
Illinois:			
Chicago	1,000	593	2,050
Springfield		152	288
Indiana: Indianapolis	400	2,284	1,010
Michigan:			
Detroit	13,500		1,941
Grand Rapids	800		184
Minnesota: Minneapolis			89
Ohio:			
Cincinnati	1,493	3,509	187
Cleveland	3,689	122	402
Columbus	3,827		117
Wisconsin: Milwaukee	1,600	438	342
Total for region V	26,309	7,098	6,610

See footnote at end of table.

DISTRIBUTION OF UNIT APPLICATION RECEIPTS FOR SELECTED PROGRAMS BY REGION AND BY INSURING OFFICE, AS OF SEPT. 20, 1971—Continued

	Preapplication [1]		Total home mortgage applications [2]
	Sec. 235	Sec. 236	
REGION VI			
Arkansas: Little Rock	3,300	308	110
Louisiana:			
New Orleans	10,157	2,299	242
Shreveport	4,400	84	140
New Mexico: Albuquerque	1,431	789	54
Oklahoma:			
Oklahoma City			174
Tulsa		1,229	74
Texas:			
Dallas	651		638
Fort Worth	330	48	234
Houston		2,022	154
Lubbock			73
San Antonio	115		118
Total for region VI	20,384	6,779	2,011
REGION VII			
Iowa: Des Moines	264	208	105
Kansas:			
Kansas City		608	177
Topeka	350	190	34
Missouri: St. Louis	1,950	1,700	190
Nebraska: Omaha	949	723	77
Total for region VII	3,513	3,429	583
REGION VIII			
Colorado: Denver	2,740	1,625	297
Montana: Helena	200	780	48
North Dakota: Fargo	777	96	27
South Dakota: Sioux Falls	266	64	13
Utah: Salt Lake City	1,000		118
Wyoming: Casper	430	142	12
Total for region VIII	5,413	2,707	515
REGION IX			
Arizona: Phoenix	2,364	659	248
California:			
Los Angeles	4,173		1,100
Sacramento	50	2,374	348
San Diego	273	918	378
San Francisco	1,000	4,390	1,172
Santa Ana	9,561		1,076
Hawaii: Honolulu	595		14
Nevada: Reno	2,366		106
Total for region IX	20,382	8,341	4,442
REGION X			
Alaska: Anchorage	158	221	22
Idaho: Boise			24
Oregon: Portland			181
Washington:			
Seattle			185
Spokane	15		73
Total for region X	173	221	485
U.S. total	112,934	50,265	21,423

[1] Represents the number of unfunded applications for section 235 contract authority and section 236 requests in the pipeline for which feasibility had been determined as of September 1971. Excludes 45,778 State and local.
[2] Represents the number of initial home mortgage applications on hand as of Sept. 20, 1971.

DWELLING UNITS IN 1 TO 4 FAMILY HOMES COVERED BY APPLICATIONS FOR FHA MORTGAGE INSURANCE, FISCAL YEARS 1967-71

	1967	1968	1969	1970	1971
REGION I					
Connecticut: Hartford	3,664	4,297	3,256	2,727	3,704
Maine: Bangor	2,323	2,489	2,242	1,830	2,186
Massachusetts: Boston	14,100	15,846	14,061	12,161	13,940
New Hampshire: Manchester	2,490	2,645	2,166	1,527	1,846
Rhode Island: Providence	2,271	2,905	2,443	1,209	2,402
Vermont: Burlington	915	1,166	1,136	925	1,053
Total for region I	25,763	29,348	25,304	20,379	25,131
REGION II					
New Jersey:					
Camden	8,796	9,722	8,909	9,266	11,775
Newark	10,490	16,341	20,725	27,669	33,627
New York:					
Albany	3,379	5,980	5,500	4,691	6,775
Buffalo	6,601	8,007	8,158	7,907	8,490
Hempstead	20,640	36,696	39,706	41,520	39,637
New York					
Puerto Rico: San Juan	14,318	17,241	16,599	15,609	14,919
Total for region II	66,224	93,987	99,597	106,662	115,223
REGION III					
Delaware: Wilmington	3,482	3,782	3,412	3,149	3,733
District of Columbia: Washington	15,151	17,923	19,625	12,794	16,609
Maryland: Baltimore	4,011	4,636	5,546	4,471	7,689
Pennsylvania:					
Philadelphia	19,089	20,593	24,476	28,875	29,054
Pittsburgh	4,382	4,611	5,570	8,391	9,340
Virginia: Richmond	10,578	11,620	10,760	7,830	11,047
West Virginia: Charleston	1,807	1,814	1,968	1,739	2,017
Total for region III	58,500	64,979	71,357	67,249	79,489
REGION IV					
Alabama: Birmingham	12,585	11,848	10,656	12,037	15,422
Florida:					
Jacksonville	8,491	10,057	9,342	10,528	13,657
Miami	16,523	16,501	15,870	18,138	29,350
Tampa	18,469	19,022	16,435	16,167	26,239
Georgia: Atlanta	16,015	17,715	17,818	21,558	29,079
Kentucky: Louisville	7,207	7,232	7,198	9,258	10,425
Mississippi: Jackson	7,184	6,699	6,833	7,604	10,582
North Carolina: Greensboro	10,647	10,340	11,175	10,794	15,238
South Carolina: Columbia	11,597	11,318	12,004	14,859	14,838
Tennessee:					
Knoxville	8,228	9,395	9,255	10,868	14,111
Memphis	6,755	6,760	6,904	8,290	11,730
Total for region IV	123,701	126,887	123,490	140,101	190,671
REGION V					
Illinois:					
Chicago	15,360	25,148	29,963	49,030	61,538
Springfield	3,549	3,750	3,581	6,180	7,389
Indiana: Indianapolis	11,933	14,184	17,322	17,508	23,118
Michigan:					
Detroit	38,833	49,633	65,260	68,776	67,371
Grand Rapids	5,551	6,800	9,149	12,326	12,911
Minnesota: Minneapolis	7,224	9,693	10,034	9,476	12,139
Ohio:					
Cincinnati	7,295	11,265	12,754	12,502	13,384
Cleveland	8,881	9,192	11,089	12,485	15,292
Columbus	6,103	7,212	7,867	7,734	9,908
Wisconsin: Milwaukee	4,882	6,417	5,298	8,825	10,189
Total for region V	109,611	143,324	172,317	204,842	233,239

DWELLING UNITS IN 1 TO 4 FAMILY HOMES COVERED BY APPLICATIONS FOR FHA MORTGAGE INSURANCE, FISCAL YEARS 1967-71—Continued

	1967	1968	1969	1970	1971
REGION VI					
Arkansas: Little Rock	4,820	5,142	5,132	5,939	8,832
Louisiana:					
New Orleans	5,646	6,016	6,195	9,637	12,031
Shreveport	3,519	3,638	3,682	4,660	8,709
New Mexico: Albuquerque	4,876	5,087	5,572	5,561	8,727
Oklahoma:					
Oklahoma City	11,014	10,798	10,065	8,786	12,887
Tulsa	4,601	4,545	4,778	4,935	7,001
Texas:					
Dallas	14,721	18,124	21,048	25,574	34,435
Fort Worth	8,820	9,051	9,463	10,478	15,224
Houston	13,961	15,396	14,892	13,005	18,410
Lubbock	8,061	8,782	7,936	6,418	7,941
San Antonio	6,482	7,794	8,313	11,220	12,124
Total for region VI	86,521	94,373	97,076	106,213	146,321
REGION VII					
Iowa: Des Moines	4,553	4,442	5,022	6,866	7,049
Kansas:					
Kansas City	6,280	7,092	6,734	6,786	10,160
Topeka	5,464	5,484	6,008	5,495	4,485
Missouri: St. Louis	8,378	9,966	11,281	11,636	13,144
Nebraska: Omaha	3,880	4,743	4,532	5,857	6,103
Total for region VII	28,555	31,727	33,577	36,640	40,941
REGION VIII					
Colorado: Denver	7,891	8,703	10,288	12,494	16,720
Montana: Helena	2,415	2,789	2,703	2,572	3,193
North Dakota: Fargo	1,223	1,600	1,724	1,501	1,738
South Dakota: Sioux Falls	1,230	1,143	1,149	1,408	1,514
Utah: Salt Lake City	3,795	4,323	4,089	5,650	6,813
Wyoming: Casper	1,443	1,566	1,383	1,058	1,422
Total for region VIII	17,997	20,124	21,336	24,683	31,400
REGION IX					
Arizona: Phoenix	17,105	18,807	22,378	23,095	35,375
California:					
Los Angeles	23,164	28,709	38,839	39,052	61,745
Sacramento	11,604	13,455	14,727	14,317	20,884
San Diego	8,972	11,153	13,388	12,154	20,592
San Francisco	35,556	41,865	42,042	37,462	61,460
Santa Ana	22,544	25,043	26,579	23,479	38,417
Hawaii: Honolulu	2,610	3,036	2,824	3,119	4,036
Nevada: Reno	2,951	4,141	5,454	6,730	11,573
Total for region IX	124,506	146,209	166,231	159,408	254,082
REGION X					
Alaska: Anchorage	1,253	1,487	2,008	3,292	2,624
Idaho: Boise	2,128	2,188	1,974	1,909	2,915
Oregon: Portland	9,594	9,338	8,781	9,442	13,813
Washington:					
Seattle	27,430	30,512	34,228	26,280	23,622
Spokane	4,146	4,864	5,051	5,859	6,704
Total for region X	44,551	48,389	52,042	46,782	49,678
U.S. total	[1] 686,518	[2] 799,349	[3] 870,858	912,959	1,166,175

[1] Includes 589 secretary held mortgages not distributed by office.
[2] Includes 2 sec. 225 open-end mortgages not distributed by office.
[3] Includes adjustment of 8,531 mortgages not distributed by office.

Source: Department of Housing and Urban Development, Housing Production and Mortgage Credit-FHA, Division of Research and Statistics, Statistics Branch.

DWELLING UNITS IN THE MULTIFAMILY PROJECTS COVERED BY APPLICATIONS FOR FHA MORTGAGE INSURANCE, FISCAL YEARS 1967–71 [1]

	Total multifamily					Sec. 236		
	1967	1968	1969	1970	1971	1969	1970	1971
REGION I								
Connecticut: Hartford	2,186	3,160	1,633	3,763	1,644	49	3,474	1,050
Maine: Bangor	152	-	23	276	390	-	120	390
Massachusetts: Boston	3,949	5,785	3,700	5,664	2,271	1,250	3,295	1,941
New Hampshire: Manchester	-	170	320	330	448	150	150	424
Rhode Island: Providence	199	127	573	664	680	95	382	680
Vermont: Burlington	140	46	-	355	-	-	159	-
Total for region I	6,626	9,288	6,249	11,052	5,433	1,544	7,580	4,485
REGION II								
New Jersey:								
Camden	428	1,117	916	1,355	966	127	903	592
Newark	1,591	2,137	1,427	1,936	938	10	787	549
New York:								
Albany	-	468	18	1,187	395	-	1,044	61
Buffalo	-	183	633	991	532	-	701	-
Hempstead	-	5	13	23	-	-	-	-
New York	5,736	6,337	1,510	4,131	4,744	-	2,151	3,764
Puerto Rico: San Juan	1,242	3,139	494	3,263	480	-	1,859	266
Total for region II	8,997	13,386	5,011	12,886	8,055	137	7,445	5,232
REGION III								
Delaware: Wilmington	55	249	61	6	216	-	-	131
District of Columbia: Washington	1,504	5,180	1,832	4,120	4,629	647	3,348	671
Maryland: Baltimore	295	1,731	3,173	3,288	4,117	764	2,309	2,408
Pennsylvania:								
Philadelphia	337	797	1,155	4,215	2,320	-	1,581	1,104
Pittsburgh	270	752	1,101	2,097	2,446	152	1,809	2,182
Virginia: Richmond	646	850	1,600	3,790	1,935	202	2,711	798
West Virginia: Charleston	16	1,313	150	847	160	-	441	160
Total for region III	3,123	10,872	9,072	18,363	15,823	1,765	12,199	7,454
REGION IV								
Alabama: Birmingham	738	384	-	760	125	-	620	125
Florida:								
Jacksonville	706	950	1,848	2,794	1,710	-	1,328	1,202
Miami	732	837	1,442	2,036	1,267	100	1,326	867
Tampa	287	1,094	865	4,913	2,083	-	3,787	1,606
Georgia: Atlanta	1,018	1,805	2,158	2,936	4,331	326	2,289	2,939
Kentucky: Louisville	331	1,068	944	1,892	1,888	240	793	1,273
Mississippi: Jackson	277	134	488	3,299	1,208	-	938	160
North Carolina: Greensboro	1,433	725	1,252	3,244	1,914	-	1,486	1,107
South Carolina: Columbia	348	338	1,598	3,150	1,244	290	1,276	720
Tennessee:								
Knoxville	989	1,344	1,570	2,135	802	150	877	350
Memphis	365	341	919	1,311	1,243	-	314	509
Total for region IV	7,224	9,020	13,084	28,470	17,815	1,106	15,034	10,858
REGION V								
Illinois:								
Chicago	3,271	6,214	6,672	8,581	8,222	642	3,402	1,346
Springfield	249	136	171	1,243	539	-	1,078	110
Indiana: Indianapolis	1,571	4,173	3,864	6,978	4,815	945	6,086	2,451
Michigan:								
Detroit	6,586	5,603	6,970	12,553	6,386	597	4,631	4,024
Grand Rapids	230	839	751	1,726	982	136	1,359	710
Minnesota: Minneapolis	209	712	693	2,216	2,454	46	1,249	859
Ohio:								
Cincinnati	382	870	686	2,786	1,918	-	1,344	972
Cleveland	1,213	1,427	508	2,753	2,795	-	1,342	1,547
Columbus	482	441	277	2,256	3,538	-	787	1,348
Wisconsin: Milwaukee	614	252	542	2,538	2,234	48	711	1,491
Total for region V	14,807	20,667	21,134	43,630	33,883	2,414	21,989	14,858

See footnote at end of table.

DWELLING UNITS IN THE MULTIFAMILY PROJECTS COVERED BY APPLICATIONS FOR FHA MORTGAGE INSURANCE, FISCAL YEARS 1967-71[1]—Continued

	Total multifamily					Sec. 236		
	1967	1968	1969	1970	1971	1969	1970	1971
REGION VI								
Arkansas: Little Rock	542	660	522	1,825	790		1,022	334
Louisiana:								
New Orleans	450	1,111	1,259	2,596	2,262	46	1,571	1,119
Shreveport	154	623	575	616	220		120	100
New Mexico: Albuquerque	256	611	454	906	177		514	75
Oklahoma:								
Oklahoma City		546	502	1,699	837		1,125	630
Tulsa	348	691	300	753	1,046		497	590
Texas:								
Dallas	1,652	4,735	2,704	8,417	4,748	288	5,597	1,886
Fort Worth	152	325	567	1,510	912	92	1,350	382
Houston	120	1,681	192	2,800	1,574		1,604	598
Lubbock	68	102	147	863	920		480	224
San Antonio	291	2,203	709	3,166	1,557	363	2,529	1,208
Total for region VI	4,033	13,288	7,931	25,151	15,043	789	16,409	7,146
REGION VII								
Iowa: Des Moines	200	694	466	2,062	569	197	1,504	436
Kansas:								
Kansas City	1,580	495	2,651	2,526	2,025		1,037	383
Topeka	1,209	1,358	839	2,036	693		1,496	488
Missouri: St. Louis	310	485	478	1,010	1,417		363	945
Nebraska: Omaha	242	420	134	429	1,230		397	794
Total for region VII	3,541	3,452	4,568	8,063	5,934	197	4,797	3,046
REGION VIII								
Colorado: Denver	168	321	659	1,913	1,620		1,443	1,094
Montana: Helena	48	40	287	693	221	50	274	153
North Dakota: Fargo	26	23	120	62	301		44	186
South Dakota: Sioux Falls	66	267	311	603	166		36	48
Utah: Salt Lake City		64		257	275		112	241
Wyoming: Casper		111	18	283	109		283	71
Total for region VIII	308	826	1,395	3,811	2,692	50	2,192	1,793
REGION IX								
Arizona: Phoenix	120	244	466	452	2,343	70	240	1,432
California:								
Los Angeles	2,071	2,329	3,297	6,355	5,886	626	3,322	2,130
Sacramento	48	906	2,291	4,028	1,956	247	1,557	544
San Diego	254	1,292	1,780	2,736	2,272	252	2,324	1,416
San Francisco	1,777	2,152	2,381	8,390	5,705	283	3,990	2,347
Santa Ana				41				
Hawaii: Honolulu	969	996	263	596	707		403	388
Nevada: Reno		100	455	774	540		278	118
Total for region IX	5,239	8,019	10,933	23,372	19,409	1,478	12,114	8,375
REGION X								
Alaska: Anchorage			149	81	178			53
Idaho: Boise		128	48	164	176	48	164	104
Oregon: Portland	169	449	300	1,676	313		923	24
Washington:								
Seattle	536	2,525	1,759	4,921	1,690	284	2,803	864
Spokane	104	350	693	1,225	928		677	365
Total for region X	809	3,452	2,949	8,067	3,285	332	4,567	1,410
U.S. total	54,707	92,270	82,326	182,865	127,372	9,812	104,326	65,657

[1] 1971 data through December 1970.

Note: No information on years 1967 and 1968.

Source: Department of Housing and Urban Development, Housing Production and Mortgage Credit-FHA, Division of Research and Statistics, Statistics Branch June 28, 1971.

1- TO 4-FAMILY HOME MORTGAGES INSURED BY FHA, FISCAL YEARS 1969–71

[Dollar amounts in thousands]

	Total home mortgages						Sec. 235(i)					
	1969		1970		1971		1969		1970		1971	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
REGION I												
Connecticut: Hartford	2,460	$32,095	1,894	$25,200	1,870	$27,666	51	$847	146	$2,473	181	$3,841
Maine: Bangor	1,599	17,851	1,243	14,995	1,100	14,949	10	119	107	1,523	208	3,647
Massachusetts: Boston	10,160	117,939	8,487	96,959	7,398	99,542	29	390	388	5,832	931	17,855
New Hampshire: Manchester	1,349	17,439	1,040	14,425	1,111	17,506	26	382	127	1,987	444	8,159
Rhode Island: Providence	2,047	23,898	1,071	13,199	1,401	18,589	7	91	81	1,169	137	2,488
Vermont: Burlington	753	9,703	555	8,143	618	8,795	5	65	37	574	106	1,893
Total for region I	18,368	218,925	14,290	172,921	13,498	187,047	128	1,894	886	13,558	2,007	37,893
REGION II												
New Jersey:												
Camden	5,220	73,565	5,332	76,459	6,014	96,171	33	422	220	2,990	583	10,425
Newark	12,042	174,583	15,128	218,480	17,566	268,467	42	637	410	6,476	427	7,708
New York:												
Albany	4,110	49,801	3,169	39,576	3,656	49,843	12	179	91	1,461	180	3,426
Buffalo	5,817	65,533	5,089	59,092	4,937	64,353	11	158	355	5,793	1,001	19,574
Hempstead	27,447	358,251	27,028	367,644	24,922	393,361			3	18	115	2,374
New York												
Puerto Rico: San Juan	11,179	200,919	9,397	175,536	9,461	188,415	3	47	385	6,098	2,579	48,171
Total for region II	65,815	922,652	65,143	936,787	66,556	1,059,811	101	1,443	1,464	22,837	4,885	91,679
REGION III												
Delaware: Wilmington	2,626	39,339	2,223	34,317	2,278	36,507	7	83	40	494	110	1,627
District of Columbia: Washington	6,427	131,702	6,549	135,691	6,794	154,597	9	150	394	6,651	272	5,385
Maryland: Baltimore	2,938	37,186	2,859	39,900	3,389	50,659	6	86	71	1,015	282	4,973
Pennsylvania:												
Philadelphia	15,014	149,507	18,210	191,851	18,824	215,203	31	291	524	4,668	387	4,698
Pittsburgh	3,398	41,594	4,173	53,878	6,103	92,318	34	479	281	4,149	1,545	30,782
Virginia: Richmond	5,527	80,029	4,236	64,173	5,416	91,483	73	1,082	421	6,412	1,199	21,295
West Virginia: Charleston	843	12,565	907	13,885	872	14,231	22	321	261	4,020	236	4,097
Total for region III	36,773	492,021	39,157	533,694	43,676	654,998	182	2,492	1,992	27,408	4,031	72,858

1- TO 4-FAMILY HOME MORTGAGES INSURED BY FHA, FISCAL YEARS 1969-71—Continued

[Dollar amounts in thousands]

	Total home mortgages						Sec. 235(i)					
	1969		1970		1971		1969		1970		1971	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
REGION IV												
Alabama: Birmingham	5,137	$72,504	5,757	$85,633	8,469	$138,020	144	$1,946	1,805	$25,777	4,420	$74,674
Florida:												
Jacksonville	5,554	72,316	5,490	75,521	6,834	106,409	62	775	1,082	15,224	2,665	43,902
Miami	9,352	131,276	8,928	143,216	12,946	243,103	62	902	197	3,358	2,237	45,786
Tampa	9,872	132,946	8,918	122,787	12,350	188,824	191	2,511	1,346	20,104	4,851	79,015
Georgia: Atlanta	8,668	131,487	10,355	166,676	14,207	247,385	110	1,539	2,893	42,968	7,201	124,025
Kentucky: Louisville	4,077	53,520	4,619	65,662	5,450	84,475	65	866	930	13,468	2,645	43,033
Mississippi: Jackson	3,232	45,884	3,730	57,251	6,186	99,721	96	1,244	1,398	21,394	3,869	62,609
North Carolina: Greensboro	4,819	76,613	5,580	93,584	7,309	128,429	65	894	949	14,191	2,650	44,484
South Carolina: Columbia	5,498	76,554	6,676	99,533	8,530	142,435	169	2,322	2,654	40,881	5,518	95,645
Tennessee:												
Knoxville	4,486	64,898	4,421	66,707	7,037	115,152	71	918	977	14,451	3,902	65,172
Memphis	3,481	48,548	3,819	54,773	5,332	80,174	95	1,291	677	9,447	1,619	24,659
Total for region IV	64,176	906,546	68,293	1,031,343	94,650	1,574,127	1,130	15,206	14,908	221,264	41,577	703,004
REGION V												
Illinois:												
Chicago	19,476	266,717	23,136	324,370	31,303	475,969	40	646	1,040	18,259	3,896	84,993
Springfield	1,765	22,700	2,321	32,080	3,788	58,169	33	523	733	12,245	1,646	30,653
Indiana: Indianapolis	10,766	130,600	10,524	130,478	11,353	155,357	116	1,716	1,127	16,937	2,341	41,368
Michigan:												
Detroit	36,345	481,117	41,299	586,706	34,852	543,512	72	1,029	1,896	31,070	4,194	85,275
Grand Rapids	3,884	52,770	4,968	70,846	5,872	92,174	63	951	879	13,412	1,969	37,839
Minnesota: Minneapolis	6,888	110,556	6,283	108,184	6,821	129,749	72	1,151	505	8,317	873	18,100
Ohio:												
Cincinnati	9,486	131,885	7,940	113,621	8,207	126,554	66	961	459	7,184	1,291	24,374
Cleveland	6,726	80,468	7,980	95,676	7,760	106,975	34	458	495	7,127	1,219	24,098
Columbus	5,926	81,941	5,243	75,366	6,595	106,315	80	1,186	727	11,988	2,236	42,139
Wisconsin: Milwaukee	3,860	38,827	3,830	44,889	5,068	76,747	34	454	841	13,447	2,226	43,639
Total for region V	105,122	1,397,580	113,524	1,582,215	121,619	1,871,520	610	9,075	8,702	139,986	21,891	432,480

REGION VI												
Arkansas: Little Rock	2,396	32,577	2,713	37,539	3,985	59,188	89	1,183	890	12,253	2,003	30,051
Louisiana:												
New Orleans	3,241	52,589	4,528	76,028	6,537	114,689	118	1,887	2,001	33,424	3,974	72,089
Shreveport	1,714	23,786	2,178	30,974	4,628	71,470	107	1,399	861	11,760	3,094	48,669
New Mexico: Albuquerque	2,583	34,218	2,579	35,094	3,988	59,536	173	2,270	789	10,691	1,561	25,216
Oklahoma:												
Oklahoma City	5,403	67,326	4,637	60,743	6,163	90,767	112	1,413	850	12,125	1,973	33,462
Tulsa	1,962	26,159	1,809	25,319	3,326	52,218	23	301	466	6,764	1,605	27,247
Texas:												
Dallas	14,258	200,399	14,723	215,417	17,660	284,337	113	1,435	1,115	16,618	5,057	87,170
Fort Worth	5,497	64,314	5,538	70,987	8,053	115,181	18	177	535	7,858	2,401	41,654
Houston	5,983	85,148	6,299	94,210	7,831	123,819	48	546	251	3,086	783	12,109
Lubbock	4,908	53,946	3,778	43,921	4,382	55,685	61	786	510	6,853	1,011	14,390
San Antonio	3,796	51,682	5,135	73,017	6,742	103,255	133	1,600	2,342	32,263	3,530	53,651
Total for region VI	51,741	692,143	53,917	763,249	73,295	1,130,146	995	12,997	10,610	153,695	26,992	445,707
REGION VII												
Iowa: Des Moines	2,517	37,409	3,102	58,330	3,522	62,465	79	1,194	1,105	18,631	2,014	40,157
Kansas:												
Kansas City	3,175	42,471	3,308	52,510	3,962	56,738	56	685	531	7,066	861	14,771
Topeka	2,582	32,197	2,642	33,584	2,743	39,267	88	1,069	675	9,239	909	15,549
Missouri: St. Louis	6,970	84,728	6,144	72,763	5,827	75,694	47	629	448	6,061	561	9,673
Nebraska: Omaha	2,771	36,381	3,323	46,487	3,771	58,420	93	1,381	883	14,273	1,359	24,737
Total for region VII	18,015	233,186	18,519	243,674	19,825	292,584	363	4,958	3,642	55,270	5,704	104,887
REGION VIII												
Colorado: Denver	5,185	78,937	6,467	106,999	8,045	148,520	203	3,048	1,871	30,098	2,660	47,025
Montana: Helena	1,034	15,236	990	14,852	1,436	23,297	46	665	224	3,728	489	9,329
North Dakota: Fargo	824	11,554	650	9,178	726	11,883	6	83	54	828	234	4,626
South Dakota: Sioux Falls	490	6,322	614	8,906	818	13,022	38	566	258	4,105	374	6,875
Utah: Salt Lake City	2,134	32,316	2,538	39,126	4,119	66,771	44	636	975	14,789	2,354	38,186
Wyoming: Casper	611	8,816	504	7,737	760	12,889	10	133	91	1,536	269	4,966
Total for region VIII	10,278	153,181	11,763	186,796	15,904	276,382	347	5,131	3,473	55,085	6,380	111,006

1- TO 4-FAMILY MORTGAGES INSURED BY FHA, FISCAL YEARS 1969-71—Continued

[Dollar amounts in thousands]

	Total home mortgages						Sec. 235(i)					
	1969		1970		1971		1969		1970		1971	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
REGION IX												
Arizona: Phoenix	12, 648	$183, 412	14, 871	$241, 062	18, 877	$331, 875	86	$1, 168	642	$9, 448	2, 260	$37, 984
California:												
Los Angeles	16, 773	281, 255	19, 747	325, 433	26, 712	452, 882	61	961	621	9, 915	1, 005	19, 293
Sacramento	7, 121	112, 239	6, 919	111, 006	9, 405	161, 331	113	1, 584	1, 396	21, 836	2, 712	48, 286
San Diego	5, 711	95, 771	5, 239	91, 613	8, 128	153, 407	94	1, 515	450	7, 999	1, 285	26, 903
San Francisco	20, 730	404, 874	20, 251	400, 625	23, 321	465, 467	55	769	821	12, 323	2, 150	40, 104
Santa Ana	12, 132	221, 634	10, 858	203, 397	13, 806	267, 887	91	1, 474	626	10, 655	1, 187	22, 717
Hawaii: Honolulu	1, 375	33, 420	1, 270	34, 500	2, 680	78, 592					682	19, 367
Nevada: Reno	1, 820	33, 950	3, 235	64, 411	4, 555	95, 531	28	470	918	17, 067	1, 758	35, 586
Total for region IX	78, 310	1, 366, 556	82, 390	1, 472, 047	107, 484	2, 006, 971	528	7, 941	5, 474	90, 243	13, 039	250, 240
REGION X												
Alaska: Anchorage	859	24, 151	1, 688	43, 912	1, 422	41, 312	5	110	36	862	158	4, 965
Idaho: Boise	793	11, 570	775	11, 742	1, 265	20, 760	23	292	244	3, 649	523	8, 685
Oregon: Portland	4, 471	62, 397	4, 568	66, 684	6, 646	105, 978	164	2, 493	1, 204	18, 989	2, 356	42, 010
Washington:												
Seattle	18, 726	314, 585	15, 138	258, 258	12, 136	214, 348	167	2, 754	2, 191	37, 651	4, 056	74, 951
Spokane	2, 909	38, 243	3, 240	45, 942	8, 712	59, 297	41	605	632	9, 784	1, 225	22, 299
Total for region X	27, 758	450, 945	25, 409	426, 539	25, 181	441, 696	400	6, 254	4, 307	70, 934	8, 318	152, 910
U.S. total	[1] 476, 776	[1] 6, 838, 068	492, 405	7, 349, 265	581, 688	9, 495, 279	4, 784	67, 391	55, 458	850, 280	134, 824	2, 402, 653

[1] Includes adjustment of 420 units for $4,334,000 not distributed by office.

MULTIFAMILY MORTGAGES INSURED BY FHA—FISCAL YEARS 1969–71[1]

[Dollar amounts in thousands]

	Total multifamily						Sec. 236					
	1969		1970		1971		1969		1970		1971	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
Region I												
Connecticut: Hartford	3,267	$60,448	2,392	$42,506	1,823	$34,263	-	-	1,606	$28,090	1,506	$28,080
Maine: Bangor	23	291	156	2,490	120	1,870	-	-	-	-	120	1,870
Massachusetts: Boston	2,712	60,923	4,463	89,677	2,605	62,183	-	-	1,797	35,518	1,696	41,321
New Hampshire: Manchester	150	2,455	340	4,288	410	7,574	150	$2,455	170	2,848	335	6,119
Rhode Island: Providence	249	5,868	346	6,093	777	15,352	-	-	40	408	657	12,038
Vermont: Burlington	-	1,194	196	4,507	120	3,261	-	-	-	-	120	2,077
Total for region I	6,401	131,178	7,893	149,560	5,855	124,503	150	2,455	3,613	66,863	4,434	91,506
REGION II												
New Jersey:												
Camden	653	7,985	763	10,615	630	4,937	-	-	338	4,951	-	-
Newark	640	19,007	1,253	38,319	905	43,675	-	-	187	2,674	624	10,185
New York:												
Albany	193	4,105	520	10,274	792	17,858	-	-	258	4,290	792	15,432
Buffalo	436	8,269	837	27,210	171	2,197	-	-	644	13,492	101	1,868
Hempstead	10	130	22	317	-	-	-	-	-	-	-	-
New York	2,401	42,144	3,187	62,148	3,964	98,661	-	-	155	3,271	2,466	59,422
Puerto Rico: San Juan	612	12,270	1,742	32,220	2,317	49,469	-	-	743	14,280	614	12,490
Total for region II	4,945	93,910	8,324	181,102	8,779	216,796	-	-	2,325	42,958	4,597	99,396
REGION III												
Delaware: Wilmington	272	4,207	22	247	189	3,586	-	-	-	-	109	1,540
District of Columbia: Washington	2,974	59,931	2,896	45,473	2,643	38,727	238	3,838	1,882	30,084	1,723	28,607
Maryland: Baltimore	1,204	15,776	2,150	31,908	2,582	33,549	-	-	1,181	14,724	1,405	18,803
Pennsylvania:												
Philadelphia	249	3,069	1,889	31,538	2,924	54,869	-	-	266	4,523	1,574	24,845
Pittsburgh	549	8,691	1,733	32,880	2,399	43,348	-	-	1,258	22,192	1,861	32,408
Virginia: Richmond	935	10,810	1,935	25,397	1,983	28,552	-	-	1,272	15,447	1,056	14,707
West Virginia: Charleston	359	7,293	510	6,561	219	5,112	-	-	-	-	60	946
Total for region III	6,542	109,778	11,135	174,003	12,939	207,743	238	3,838	5,859	86,971	7,788	121,857

See footnote at end of table.

MULTIFAMILY MORTGAGES INSURED BY FHA—FISCAL YEARS 1969–71 [1]—Continued

[Dollar amounts in thousands]

	Total multifamily						Sec. 236					
	1969		1970		1971		1969		1970		1971	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
REGION IV												
Alabama: Birmingham	444	$4, 969	440	$5, 156	537	$7, 348			400	$4, 822	385	$5, 285
Florida:												
Jacksonville	861	9, 167	1, 692	19, 248	2, 137	29, 621			80	979	1, 581	21, 413
Miami	509	12, 100	1, 442	22, 810	1, 280	52, 302			534	7, 946	834	12, 485
Tampa	389	4, 544	2, 643	36, 427	3, 556	47, 215			1, 458	21, 593	2, 709	38, 897
Georgia: Atlanta	1, 566	18, 979	2, 142	31, 644	2, 259	28, 306			1, 086	14, 076	1, 694	23, 561
Kentucky: Louisville	995	12, 976	2, 318	32, 502	1, 864	30, 922			1, 117	14, 914	1, 008	16, 648
Mississippi: Jackson	258	4, 621	2, 110	32, 135	898	11, 696			713	10, 874	104	1, 397
North Carolina: Greensboro	1, 077	11, 298	1, 506	17, 250	1, 824	21, 050			866	9, 325	1, 109	11, 985
South Carolina: Columbia	608	8, 080	3, 258	37, 303	1, 393	17, 865			1, 220	13, 155	405	4, 703
Tennessee:												
Knoxville	1, 536	19, 734	2, 783	35, 667	520	9, 763			1, 131	15, 073	350	4, 819
Memphis	354	4, 704	1, 441	17, 778	516	6, 635			364	5, 032		
Total for region IV	8, 597	111, 172	21, 775	287, 919	16, 784	262, 720			8, 969	117, 787	10, 179	141, 191
REGION V												
Illinois:												
Chicago	6, 115	112, 049	5, 022	104, 296	6, 176	116, 537			1, 842	3, 706	1, 714	27, 180
Springfield	226	3, 466	649	13, 821	871	16, 067			448	6, 678	780	14, 267
Indiana: Indianapolis	4, 211	57, 757	5, 582	88, 148	3, 693	51, 715	212	$2, 906	3, 974	60, 502	2, 277	34, 857
Michigan:												
Detroit	6, 661	109, 289	9, 299	154, 517	7, 138	120, 542	138	2, 150	2, 516	45, 374	3, 308	56, 896
Grand Rapids	804	13, 875	1, 358	22, 790	849	14, 756			847	13, 898	584	9, 415
Minnesota: Minneapolis	698	11, 171	1, 765	27, 622	1, 230	20, 893			1, 152	19, 302	857	13, 867
Ohio:												
Cincinnati	735	11, 687	1, 839	25, 011	2, 313	33, 096			529	7, 173	1, 098	17, 478
Cleveland	572	9, 989	2, 074	28, 558	2, 347	35, 974			908	13, 262	1, 450	23, 036
Columbus	278	7, 712	1, 842	25, 958	2, 122	33, 152			540	8, 499	1, 098	17, 223
Wisconsin: Milwaukee	421	11, 582	835	14, 983	1, 366	20, 876			348	5, 312	587	8, 294
Total for region V	20, 721	348, 577	30, 265	505, 703	28, 105	463, 606	350	5, 056	13, 104	210, 707	13, 762	222, 512

See footnote at end of table.

REGION VI												
Arkansas: Little Rock	665	8,381	1,268	14,770	754	9,550			290	3,220	309	4,016
Louisiana:												
New Orleans	1,276	17,400	2,260	35,215	1,866	29,660			1,065	16,104	994	14,565
Shreveport	455	5,307	920	11,504	80	1,015			120	1,482		
New Mexico: Albuquerque	444	3,335	388	5,407	341	4,934			240	3,356	75	1,376
Oklahoma:												
Oklahoma City	580	8,076	1,531	21,293	836	13,681			1,057	14,055	626	8,258
Tulsa	475	5,137	873	11,851	470	9,975			497	6,152	470	5,989
Texas:												
Dallas	4,404	58,966	6,929	100,350	5,135	80,976	288	3,859	4,268	60,505	2,127	31,494
Fort Worth	645	7,984	1,180	15,939	678	9,527			1,024	13,741	518	6,583
Houston	1,281	16,184	1,923	26,219	1,548	36,655			1,087	15,137	796	9,941
Lubbock	185	1,772	669	9,603	642	9,609			198	2,859	282	3,338
San Antonio	1,061	12,927	2,340	32,354	1,626	27,539			1,759	25,255	1,279	19,540
Total for region VI	11,471	145,468	20,281	284,505	13,976	233,121	288	3,859	11,605	161,864	7,476	105,100
REGION VII												
Iowa: Des Moines	402	5,048	1,728	26,319	1,177	17,916			1,669	24,237	666	9,680
Kansas:												
Kansas City	1,527	23,725	2,402	44,577	1,746	31,107			686	11,393	563	9,586
Topeka	1,195	16,233	1,669	23,832	484	7,399			903	13,075	430	6,342
Missouri: St. Louis	291	3,659	574	7,589	819	12,873			66	1,274	409	5,480
Nebraska: Omaha	83	2,816	339	5,241	638	10,218			274	3,859	614	9,019
Total for region VII	3,498	51,482	6,712	107,558	4,864	79,513			3,598	53,838	2,682	40,107
REGION VIII												
Colorado: Denver	163	3,254	1,722	21,817	1,391	17,561			1,013	12,716	1,236	15,356
Montana: Helena	113	1,542	691	9,659	216	3,133			168	2,571	156	2,066
North Dakota: Fargo	56	574	108	1,456	134	2,254					134	2,134
South Dakota: Sioux Falls	198	1,951	674	8,295	176	2,276			36	636		
Utah: Salt Lake City		637	4	53	326	4,177					102	1,188
Wyoming: Casper	12	96	102	1,318	45	1,088			102	1,318	21	259
Total for region VIII	542	8,054	3,301	42,598	2,288	30,490			1,319	17,241	1,649	21,002

See footnote at end of table.

MULTIFAMILY MORTGAGES INSURED BY FHA—FISCAL YEARS 1969–71 [1]—Continued

[Dollar amounts in thousands]

	Total multifamily						Sec. 236					
	1969		1970		1971		1969		1970		1971	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
REGION IX												
Arizona: Phoenix	25	$690	539	$6,650	1,335	$20,335			170	$2,166	1,028	$15,305
California:												
Los Angeles	2,445	32,363	2,992	47,164	5,683	87,685			1,250	19,785	3,489	55,492
Sacramento	1,724	14,502	3,297	37,065	2,061	25,015			1,331	18,122	786	9,097
San Diego	1,672	38,593	1,526	19,650	1,716	22,800			830	10,713	700	10,220
San Francisco	1,947	36,999	6,625	89,581	4,017	64,036	183	$2,394	2,467	39,981	2,287	39,372
Santa Ana			41	409								
Hawaii: Honolulu	996	20,230	679	15,906	196	5,493			367	8,722	148	4,224
Nevada: Reno	205	2,748	517	6,545	586	7,285			278	4,034	118	1,875
Total for region IX	9,014	146,124	16,216	222,970	15,594	232,649	183	2,394	6,693	103,521	8,556	135,585
REGION X												
Alaska: Anchorage	32	611	61	2,993	183	1,514					156	1,036
Idaho: Boise	40	454	88	966	24	281					24	281
Oregon: Portland	477	5,148	877	15,819	754	8,817			427	4,405	352	4,020
Washington:												
Seattle	1,787	26,522	5,125	62,519	1,111	15,595	76	1,180	2,854	41,312	548	8,253
Spokane	465	5,245	1,198	18,016	689	8,945			383	5,133	200	2,633
Total for region X	2,801	37,979	7,349	100,313	2,761	35,152	76	1,180	3,664	50,850	1,280	16,222
U.S. total	74,532	1,183,722	133,251	2,056,232	111,945	1,886,294	1,285	18,781	60,749	912,601	62,403	994,478

[1] 1971 data through December 1970.

	Percentage of initial home mortgage applications processed to conditional commitments with 5 workdays or less, last week in September each year				Percentage of applications for credit approval and firm commitments processed within 3 workdays or less, last week in September each year			
	1968	1969	1970	1971	1968	1969	1970	1971
REGION I								
Connecticut: Hartford [1]	100	100	100	100	100	100	100	100
Maine: Bangor	100	100	100	100	100	100	100	100
Massachusetts: Boston [1]	100	100	100	100	100	100	29	100
New Hampshire: Manchester [1]	100	93	100	100	100	100	100	100
Rhode Island: Providence	100	100	100	90	100	100	100	100
Vermont: Burlington	100	100	100	100	100	100	100	100
Total for region I								
REGION II								
New Jersey:								
Camden [1]	100	99	94	100	100	100	100	86
Newark [1]	99	99	84	6	99	92	97	24
New York:								
Albany	100	100	100	98	100	100	100	97
Buffalo [1]	100	100	73	100	100	100	100	100
Hempstead	89	95	84	58	58	93	61	89
New York								
Puerto Rico: San Juan	100	100	100	100	100	100	100	100
Total for region II								
REGION III								
Delaware: Wilmington	100	100	98	41	78	100	100	100
District of Columbia: Washington	100	100	97	93	100	100	100	100
Maryland: Baltimore	100	100	100	94	3	100	100	100
Pennsylvania:								
Philadelphia	99	95	66	30	3	27	15	33
Pittsburgh [1]	100	100	93	69	99	100	92	62
Virginia: Richmond	100	100	84	94	100	91	84	98
West Virginia: Charleston	100	100	100	96	91	95	100	100
Total for region III								
REGION IV								
Alabama: Birmingham [1]	99	100	53	84	100	99	46	74
Florida:								
Jacksonville	100	100	95	56	98	94	83	3
Miami	98	97	91	93	100	100	73	95
Tampa	99	98	98	96	100	98	98	2
Georgia: Atlanta	97	96	91	80	99	98	39	100
Kentucky: Louisville	100	99	100	99	97	95	99	78
Mississippi: Jackson	100	100	99	96	100	99	66	88
North Carolina: Greensboro	96	99	95	53	100	78	100	50
South Carolina: Columbia	99	98	96	90	99	96	88	72
Tennessee:								
Knoxville	100	100	44	77	99	97	65	61
Memphis	100	100	100	100	99	100	100	27
Total for region IV								
REGION V								
Illinois:								
Chicago	76	98	59	8	100	100	----------	44
Springfield	100	100	56	45	100	100	18	99
Indiana: Indianapolis	92	93	96	65	100	99	51	----------
Michigan:								
Detroit [1]	94	93	81	46	91	85	31	28
Grand Rapids	100	97	82	75	100	100	14	63
Minnesota: Minneapolis	100	99	83	94	100	100	8	62
Ohio:								
Cincinnati	98	94	86	66	100	43	1	89
Cleveland	100	81	49	30	100	100	13	2
Columbus	100	100	86	96	100	100	98	100
Wisconsin: Milwaukee	99	96	75	27	100	95	88	91
Total for region V								

See footnote at end of table.

69-323—71——3

	Percentage of initial home mortgage applications processed to conditional commitments with 5 workdays or less, last week in September each year				Percentage of applications for credit approval and firm commitments processed within 3 workdays or less, last week in September each year			
	1968	1969	1970	1971	1968	1969	1970	1971
REGION VI								
Arkansas: Little Rock [1]	100	100	100	76	100	100	100	81
Louisiana:								
New Orleans [1]	100	100	99	67	100	77		12
Shreveport	100	100	100	77	100	100	100	45
New Mexico: Albuquerque	98	99	89	93	100	100	100	48
Oklahoma:								
Oklahoma City	100	100	100	78	99	100	100	97
Tulsa	100	100	99	97	100	100	55	59
Texas:								
Dallas [1]	100	100	93	14	100	100	5	50
Fort Worth	97	100	73	75	100	96	95	46
Houston	98	99	98	94	100	98	98	48
Lubbock	99	100	97	89	100	100	99	100
San Antonio [1]	100	97	45	68	100	98	100	100
Total for region VI								
REGION VII								
Iowa: Des Moines	100	98	41	88	100	100	53	95
Kansas:								
Kansas City	100	99	83	91	100	100	100	100
Topeka	100	100	100	100	100	100	100	100
Missouri: St Louis [1]	100	100	97	92	100	19	90	93
Nebraska: Omaha [1]	100	100	96	69	100	100	85	57
Total for region VII								
REGION VIII								
Colorado: Denver	99	100	64	43	100	87	15	99
Montana: Helena	100	100	100	98	100	100	38	100
North Dakota: Fargo	100	100	100	96	100	100		100
South Dakota: Sioux Falls	100	100	100	100	100	100	100	100
Utah: Salt Lake City	100	100	100	100	100	100	100	100
Wyoming: Casper	100	100	100	97	100	100	100	100
Total for region VIII								
REGION IX								
Arizona: Phoenix	100	100	100	100	100	100	100	100
California:								
Los Angeles [1]	100	99	93	72	97	97	17	100
Sacramento	100	100	75	53	99	100	100	56
San Diego	100	100	99	96	100	100	68	96
San Francisco [1]	100	100	97	59	100	95	31	74
Santa Ana	99	99	97	39	100	100	81	9
Hawaii: Honolulu	100	100	100	100	87	100	100	97
Nevada: Reno	100	100	100	50	100	100	100	91
Total for region IX								
REGION X								
Alaska: Anchorage	100	86	33	87	100	100	100	10
Idaho: Boise	100	100	100	100	100	100	100	96
Oregon: Portland [1]	100	100	100	98	100	100	100	100
Washington:								
Seattle [1]	100	100	100	96	100	100	100	100
Spokane	100	100	100	100	100	100	100	100
Total for region X								
U.S. total	98	98	86	68	93	91	60	65

[1] Area offices established under phase I in September 1970.

EXHIBIT E

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT BUDGET REQUEST AND APPROPRIATIONS FISCAL YEAR 1969-72 [1]

[In thousands of dollars]

	1969		1970		1971		1972	
	Budget request	Appropriated	Budget request	Appropriated	Budget request	Appropriated	Budget request	Appropriated
HOUSING PRODUCTION AND MORTGAGE CREDIT								
Approval of contract authority:								
Rent supplement program:								
Annual contract authorization	(65,000)	(30,000)	(100,000)	(50,000)	(75,000)	(55,000)	(60,000)	(55,000)
Advance contract authorization					(75,000)			
Homeownership assistance program:								
Annual contract authorization	(125,000)	(70,000)	(125,000)	(90,000)	(140,000)	[2] (165,200)	(175,000)	(170,000)
Advance contract authorization					(140,000)			
Rental housing assistance program:								
Annual contract authorization	(125,000)	(70,000)	(125,000)	(85,000)	(145,000)	[2] (170,000)	(175,000)	(200,000)
Advance contract authorization					(145,000)			
College housing	(12,000)	(5,500)	(13,000)	(11,500)	(9,300)	(9,300)	(9,300)	(9,300)
Subtotal contract authority	(327,000)	(175,500)	(363,000)	(236,500)	(729,300)	(399,300)	(419,300)	(434,300)
Appropriations:								
Low and moderate income sponsor fund	5,000	500	3,000	2,000	5,000	3,000	3,000	4,000
Counseling services								3,250
Housing for the elderly or handicapped		25,000				10,000		
Interstate land sales	(3)	(3)	(3)	521	(3)	780	1,170	1,170
Subtotal appropriations	5,000	25,500	3,000	2,521	5,000	13,780	4,170	8,420
Limitations:								
College housing loans	2,285	2,275	1,179	1,179	1,074	1,074		
Housing for the elderly or handicapped	1,282	1,272	1,200	1,200	908	908		
Federal Housing Administration:								
Administrative expenses	12,765	12,490	13,050	12,950	14,915	14,615	16,103	15,850
Nonadministrative expenses	102,950	97,500	125,000	110,175	134,617	127,842	148,426	148,426
Government National Mortgage Association: Administrative expenses			5,000	5,000	6,600	6,600	6,600	6,600
Subtotal limitations	119,282	113,537	145,429	130,504	158,114	151,039	171,129	170,876

See footnotes at end of table.

EXHIBIT E—Continued

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT BUDGET REQUEST AND APPROPRIATIONS FISCAL YEAR 1969–72 [1]—Continued

[In thousands of dollars]

	1969		1970		1971		1972	
	Budget request	Appropriated	Budget request	Appropriated	Budget request	Appropriated	Budget request	Appropriated
HOUSING MANAGEMENT								
Appropriations:								
Housing payments	400, 500	385, 000	565, 616	539, 116	851, 600	851, 600	1, 373, 800	1, 373, 800
Composed of:								
Low rent public housing	(374, 000)	(366, 000)	(493, 616)	(487, 116)	(654, 500)	(654, 400)		
Rent supplement program	(15, 000)	(12, 000)	(23, 000)	(23, 000)	(46, 600)	(46, 600)		
Homeownership and rental housing assistance programs	(11, 500)	(7, 000)	(46, 500)	(26, 500)	(148, 000)	(148, 000)		
College housing debt service			(2, 500)	(2, 500)	(2, 500)	[4] (2, 500)		
Grants for tenant services	15, 000				5, 000			
Subtotal appropriations	415, 500	385, 000	565, 616.	539, 116	856, 600	851, 600	1, 373, 800	1, 373, 800
Limitation:								
Revolving fund (liquidating program)	104	100	107	107	134	134		
Appropriation history of programs recently put in liquidation: [5]								
Alaska housing	1, 000	1, 000	1, 000	1, 000				
Advance acquisition of land			5, 000	2, 500				
COMMUNITY PLANNING AND MANAGEMENT								
Appropriations:								
Comprehensive planning grants	55, 000	43, 838	60, 0000	50, 000	60, 000	50, 000	[6] 100, 000	59, 355
Community development training program	7, 000	3, 000	8, 000	3, 000				
Fellowships for city planning and urban studies	500	500	500	500	3, 500	3, 500	3, 000	3, 500
New community assistance grants			5, 000	2, 500	10, 000	5, 000	5, 000	10, 000
Urban transportation: [7]								
Enacted in prior years [8]	7, 250	7, 250						
Appropriations proposed	15, 000							
Appropriations for next year's program	230, 000							
Urban information and technical assistance [9]	5, 000							
Areawide development grants	5, 000							
Subtotal, CPM	324, 750	54, 588	73, 500	56, 000	73, 500	58, 500	108, 000	72, 855

COMMUNITY DEVELOPMENT								
Appropriations:								
Community development—Supplemental: Pursuant to proposed legislation							1,000,000	
Model Cities programs	500,000	312,500	675,000	575,000	575,000	575,000		150,000
Urban renewal programs					1,000,000	1,200,000	600,000	1,250,000
Enacted in prior years	[10] 750,000	[10] 750,000	[11] 750,000	[11] 750,000				
Additional for 1970			250,000	250,000				
Appropriation for next year's program	(1,400,000)	(750,000)						
Assistance for Model Cities areas [12]	500,000	312,500						
Rehabilitation loan fund			50,000	45,000	35,000	35,000	40,000	90,000
Grants for neighborhood facilities	40,000	35,000	45,000	40,000	40,000	40,000	40,000	40,000
Grants for basic water and sewer facilities	150,000	165,000	135,000	135,000	150,000	350,000		500,000
Open space land program	85,000	75,000	85,000	75,000	75,000	75,000	200,000	100,000
Subtotal appropriations	2,025,000	1,650,000	1,990,000	1,870,000	1,875,000	2,275,000	1,880,000	2,130,000
Limitations: Public facility loans	1,235	1,227	1,158	1,055	1,481	1,281		
FEDERAL INSURANCE ADMINISTRATION								
Appropriation: National flood insurance program	1,500	1,500	2,500	2,429	6,050	5,000	6,054	6,000
RESEARCH AND TECHNOLOGY								
Appropriation:								
Research and technology	20,000	11,000	30,000	25,000	55,000	45,000	45,000	45,000
Low income housing demonstrations	4,496	2,000	2,510	[13] (2,000)				
Special foreign currency program							300	
Subtotal appropriations	24,496	13,000	32,510	25,000	55,000	45,000	45,300	45,000
Limitation: Administrative expenses	524	524	940	940	1,824	1,824	3,771	3,771
FAIR HOUSING AND EQUAL OPPORTUNITY								
Appropriation: Fair housing and equal opportunity	[14] 11,100	2,000	14,912	6,391	11,897	8,597	9,254	8,250
SPECIAL INSTITUTIONS								
National Homeownership Foundation	250		250		250		250	
PARTICIPATION SALES								
Sales authorization	(1,595,000)							

See footnotes at end of table.

EXHIBIT E—Continued

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT BUDGET REQUEST AND APPROPRIATIONS FISCAL YEAR 1969–72 [1]—Continued

[In thousands of dollars]

	1969		1970		1971		1972	
	Budget request	Appropriated	Budget request	Appropriated	Budget request	Appropriated	Budget request	Appropriated
Appropriation for insufficiencies:								
Annual definite		47,638	56,238	56,239	58,781	58,781	19,543	19,543
Permanent indefinite	13,366	13,366	12,330	12,330	14,464	14,464	16,852	16,852
Proposed permanent indefinite:								
For 1968 sales	47,638							
For 1969 sales	9,977							
Subtotal participation sales	70,981	61,004	68,568	68,568	73,245	73,245	36,395	36,395
DEPARTMENTAL MANAGEMENT								
Salaries and expenses, RHA	39,017	35,907	41,390	39,508	45,000	43,500		
Reserve release	(387)	(387)						
By transfer					(3,099)	(3,099)		
Salaries and expenses, MD	9,650	7,280	8,506	7,981	8,700	8,000		
Reserve release	(73)	(73)						
By transfer					(685)	(685)		
Salaries and expenses, Model Cities	1,926	1,466	679	578	700	600		
Reserve release	(15)	(15)						
By transfer					(538)	(538)		
Transfer limitation	(8,517)	(6,137)	(7,422)	(7,151)	(9,300)	(8,300)		
Reserve release	(34)	(34)						
General administration	8,230	6,230	10,689	9,560	9,200	9,000	6,312	6,312
Reserve release	(51)	(51)						

By transfer					(627)	(627)		
Regional management and services	9,203	6,778	11,590	11,155	14,550	14,000	23,301	23,000
Reserve release	(80	(80)						
By transfer					(856)	(856)		
Working capital fund	2,000		5,750	4,338				
Salaries and expenses, FHA	8,100	1,975	9,000	3,500	6,290	3,500		
Commission on mortgage credit and interest rates	775							
Salaries and expenses:								
HPMC							18,020	17,000
HM							16,537	16,500
CPM							7,468	7,468
CD							20,447	22,750
Office of GC							3,045	3,000
Administrative and staff services							16,846	16,096
Appropriation	78,901	59,636	87,604	76,620	84,440	78,600	111,976	112,126
Reserve release (included in appropriation)	(640)	(640)						
By transfer from Model Cities					(5,805)	(5,805)		
Transfer limitation	(8,517)	(6,137)	(7,422)	(7,151)	(9,300)	(8,300)		
TOTAL								
Contract authority	(327,000)	(175,500)	(363,000)	(236,500)	(729,300)	(399,300)	(419,300)	(434,300)
Appropriation	2,958,478	2,253,228	2,844,460	2,650,145	3,040,982	3,409,322	3,575,199	3,792,846
Limitations	129,662	121,525	155,056	139,757	170,853	162,578	174,900	174,647
Departmental totals	3,088,140	2,374,753	2,999,516	2,789,902	3,211,835	3,571,900	3,750,099	3,967,493

1 Includes all enacted supplemental requests and acts and budget amendments.
2 Includes 1970 supplemental enacted in July 1970 making $35,000,000 available for each program in 1971.
3 Included in FHA—Salaries and expenses (see departmental management).
4 Unobligated balances from 1970 made available through June 30, 1971.
5 Added to total request and appropriated—last page.
6 Additional authorizing legislation will be required for appropriation above $59,355,000.
7 Does not include $167,750,000 transferred to Department of Transportation.
8 Beginning in 1970, urban transportation included in appropriation for research and technology.
9 Beginning in 1970, urban information and technical assistance was consolidated with comprehensive planning grants.
10 Included in the 1968 independent offices and HUD Appropriation Act.
11 Included in the 1969 independent offices and HUD Appropriation Act.
12 Beginning in 1970, Model Cities assistance included in total for urban renewal.
13 Funded by transfer from research and technology.
14 Original estimate not considered by House. Supplemental estimate of $8,000,000 was considered and yielded a $2,000,000 appropriation.

Mr. MONAGAN. Mr. Secretary, we are happy to have you here and appreciate your coming. I believe you do have a prepared statement. We will be happy to hear you.

STATEMENT OF EUGENE A. GULLEDGE, ASSISTANT SECRETARY FOR HOUSING PRODUCTION AND MORTGAGE CREDIT, AND FHA COMMISSIONER; ACCOMPANIED BY MORTON BARUCH, DIRECTOR, SUBSIDIZED MORTGAGE INSURANCE DIVISION; VIOLA CAREY, DIRECTOR, BUDGET DIVISION; ALLAN THORNTON, DIRECTOR, ECONOMIC AND MARKET ANALYSIS; AND DAVID DEWILDE, ASSOCIATE GENERAL COUNSEL

Mr. GULLEDGE. Thank you very much, Mr. Chairman. We are delighted to do so and express first of all our appreciation for having the privilege of cooperating with this committee in its responsibilities for the overview of the Department of Housing and Urban Development, and we welcome your particular concern about how the housing production and FHA insurance part of the Department is carried on.

I would like to introduce to you some of the people I have with me. On my far left is Miss Viola Carey, Director of Budget Operations for Housing Production and FHA Activities. On my immediate left, Mr. David deWilde, Associate General Counsel of the Department, responsible for serving HPMC operation. On my immediate right is Mr. Morton Baruch who is responsible for 235 and 236 programs and the fund distribution through them. On his right is Mr. Allan Thornton who is responsible for our statistical section on which we depend for gathering the statistical data on which the various formulae are based which we use in allocating funds to the various offices.

Mr. MONAGAN. In your division of responsibility, then, 235 and 236 are combined. You say Mr. Baruch has this responsibility?

Mr. GULLEDGE. He is responsible for both of those. He has people, of course, who assist him to break it down into each of those, but he has them in his responsibility.

Mr. MONAGAN. And he comes right under you?

Mr. GULLEDGE. Mr. Baruch works under the Assistant Commissioner for Subsidized Housing, Mr. Robert Cunningham. Mr. Cunningham is not here this morning. He has other responsibilities in addition to 235 and 236. I thought it more appropriate for the line of questioning appearing to generate here to have Mr. Baruch this morning.

Mr. MONAGAN. In other words, Mr. Cunningham would have all subsidized housing?

Mr. GULLEDGE. That is correct.

Mr. MONAGAN. And Mr. Baruch under him would have 235 and 236 programs?

Mr. GULLEDGE. That is correct.

Mr. MONAGAN Thank you.

Mr. GULLEDGE. I will proceed then with the prepared statement.

Before getting into it I want to apologize to the committee. I remarked to my staff yesterday I once had a class in creative writing and one of the exercises given to us was to write a description on how you tie your shoes. It is a simple act most of us perform unconsciously. When you try to reduce it to writing it sounds rather complicated. I am afraid we have somewhat that difficulty in trying to explain in words what we could illustrate very quickly and find it has an awful lot of complications behind it. At least the idea is fairly simple. At least we will proceed knowing we are dealing with a very technical thing which, in writing, may not come through as quickly as it needs to, and we will be glad to respond to anything which the written word doesn't really clarify for you.

As you well know, the Housing and Urban Development Act of 1968 established a 10-year objective of eliminating substandard housing throughout the United States. Principal subsidy programs for attaining this objective were section 235 and section 236 for reduced-cost purchased or rental of adequate housing by lower-income families. Other tools are section 115 and section 312 for assistance in financing residential rehabilitation, and low rent public housing and rent supplements for low-income families. Each program seeks to assure for particular groups of households adequate, standard housing at current costs which are reasonably within their capacity to pay.

In the chairman's letter of invitation, the question was raised as to the method of allocating contract authority under the subsidized housing programs to the HUD–FHA field offices. We have, from the very beginning of these programs, attempted to make the most objective, equitable, and practical distribution of this authority as we were capable of doing. We have continually tried to refine this objective method as we gained experience with the programs.

For each of the annual housing subsidy authorizations, a formula is required which will provide among the HUD insuring jurisdictions authorization distributions which will pass three tests:

1. Equity among areas in light of the objectives of the housing subsidy programs;
2. Nationwide progress toward attainment of the goals of the subsidy programs; and
3. Sustained momentum of production and occupancy of assisted housing.

The first step toward a formula for distribution of contract authority is to prepare for each insuring jurisdiction percentages of the national total which reflect both the relative needs of the particular segment of the population for which the subsidized programs were designed and the current effectiveness of industry and governmental efforts to meet these needs.

For section 235 and for section 236 (including rent supplement activity), four pertinent percentages (all based on national totals) were averaged. Two of these four percentages relate to facts established in the past; two relate to hopes or expectations of performance in the future.

The two relating to established facts are (1) past production and (2) needs. The two relating to future hopes and expectations are (1) estimates of starts for the next year (assuming available mortgage or other funds and contract authority) and (2) market absorption capacity for assisted housing on the assumption there would be a sufficient amount available.

I will describe each of these four in a little more detail.

"Past production" is measured in terms of comparable dwelling units started in similar programs in the various jurisdictions during the past year. Data for these series come from HUD records of starts under related FHA or other HUD programs.

"Needs" are measured in terms of tenant households within each jurisdiction who are eligible for the assistance of the program as determined by income and age, with increased weighting (about 2½ times) accorded to all elderly individuals and to low-income families living in substandard housing. Current "needs" are estimated by HUD in the central office by updating 1960 census data—I might interject that 1970 data simply isn't available yet. It is expected, perhaps, by late winter or early spring.

Current "needs" are estimated by HUD in the central office by updating 1960 census data on households and conditions of housing to reflect intervening construction, demolitions, housing deterioration, growth in number of households, aging of population, and changes in family income levels and distributions. This series on needs reflects in annual terms the 10-year goal of eliminating the necessity for people to live in substandard housing and is given double weighting in the calculation of the composite percentages.

"Next year's starts" are estimates by HUD field office directors (with staff assistance) of the number of units which industry could be expected to start during the next calendar year within each jurisdiction under each specific program.

"Market absorption capacity" for additional subsidized housing is based on HUD field office directors' estimates of the maximum number of additional units which could be occupied by eligible families under each respective program within a coming 12-month period if there were no limitation on the numbers of additional units which could readily be made available.

For illustrative purposes, the accompanying charts which are found at the back of my printed testimony, two of them, show three selected jurisdictions. These are actual jurisdictions. If they have to be supplied for the record, we will be delighted to do so. To keep any confusion out of it we simply say these are A, B, and C.

Mr. Monagan. Why not supply it for the record.

Mr. Gulledge. We will be glad to do that.

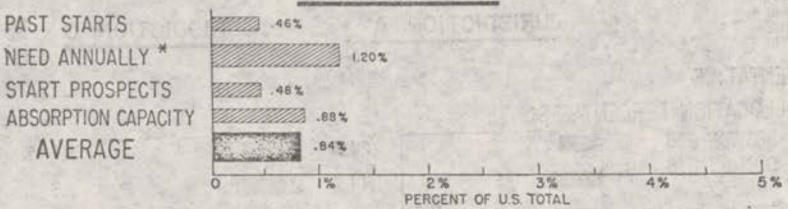
(The charts follow:)

Field Jurisdictions on Illustrative Charts

On the accompanying charts, jurisdiction A is the Minneapolis jurisdiction covering the State of Minnesota, jurisdiction B is the Indianapolis office covering the State of Indiana, and jurisdiction C is central Florida under the Tampa insuring office.

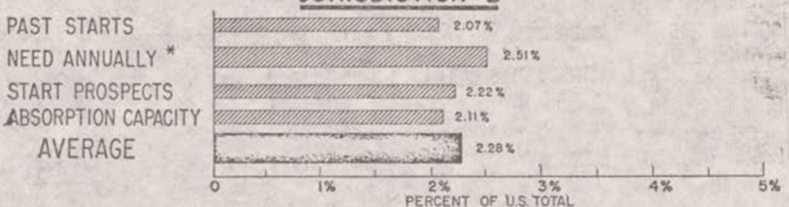
TENTATIVE ALLOCATION OF SEC. 235 CONTRACT AUTHORITY SELECTED JURISDICTIONS FISCAL YEAR 1972

JURISDICTION A



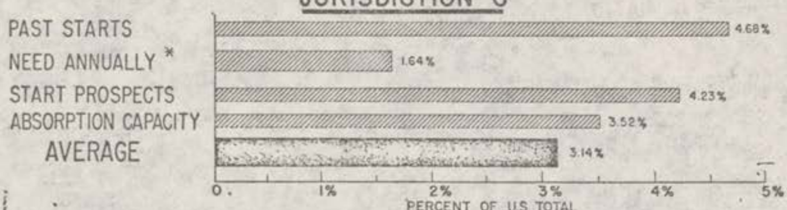
TENTATIVE ALLOCATION: AMOUNT .84% x $ 135,144,000 = $ 1,135,210
UNITS $ 1,135,210 ÷ $ 777 = 1,461 UNITS

JURISDICTION B



TENTATIVE ALLOCATION: AMOUNT 2.28% x $ 135,144,000 = $ 3,081,283
UNITS $ 3,081,283 ÷ $ 777 = 3,966 UNITS

JURISDICTION C

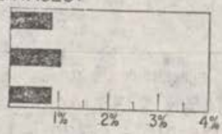


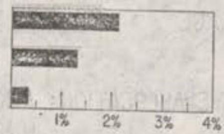
TENTATIVE ALLOCATION: AMOUNT 3.14% x $ 135,144,000 = $ 4,243,521
UNITS $ 4,243,521 ÷ $ 777 = 5,461 UNITS

**DOUBLE WEIGHT* (*)

FAIR SHARE ADJUSTMENT OF SUBSIDY ALLOCATIONS SELECTED JURISDICTIONS, FISCAL YEAR 1972

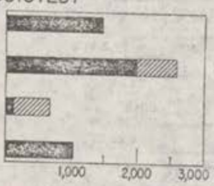
TENTATIVE ALLOCATION PERCENTAGES:

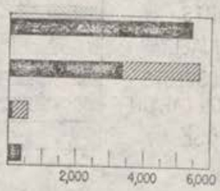




	JURISDICTION A	JURISDICTION C
SECTION 235	.84%	3.14%
SECTION 236 (INCL. RENT SUPPLEMENT)	1.11%	2.32%
PUBLIC HOUSING	.87%	.35%

TENTATIVE FAMILIES TO BE ASSISTED:





	JURISDICTION A	JURISDICTION C
SECTION 235	1,461	5,461
SECTION 236 (INCLUDING CARRY OVER)	2,593 597	5,673 2,292
RENT SUPPLEMENT (INCLUDING CARRY OVER)*	694 561	580 477
PUBLIC HOUSING	1,041	414
TOTAL	5,789	12,128

FAIR SHARE COMPARISON	JURISDICTION A	JURISDICTION C
TOTAL AS PERCENT OF U.S.	.98%	2.05%
ALL PROGRAMS NEED (AS PERCENT OF U.S.)	1.09%	1.33%
RATIO	.90	1.54

ADMINISTRATIVE ADJUSTMENTS:

	JURISDICTION A	JURISDICTION C
SECTION 235	+250	−1,500
SECTION 236	+500	−1,250
"ADJUSTED FAIR SHARE"	6,539	9,378
AS PERCENT OF U.S.	1.10%	1.58%
RATIO TO ALL PROGRAMS NEED	1.01	1.19

*INCLUDES BMIR AND SECTION 202
NOTE: OPERATION OF CENTRAL OFFICE PROGRAMS EXCLUDED

Mr. GULLEDGE. The percentages are computed for each jurisdiction for the underlying four series (production, needs, prospective starts, and market absorption) and the resulting composite percentage for use in tentative allocation of contract authority under section 235. These composite percentages then become dollars of contract authorization by applying each jurisdiction percentage against the total authorization available for distribution. By taking account of average authorization per dwelling unit, these dollar amounts of contract authorization will provide assistance for the numbers of family units shown on the chart for each jurisdiction.

As indicated above, for each program arithmetic averages of these four percentages for each jurisdiction are calculated to provide percentages for tentative allocation of the available contract authority—first, in dollar terms and then in terms of families being assisted. For both section 235 and section 236 moderate portions of each year's authority are set aside to carry out specific central office programs. These are Project Rehab, Operation Breakthrough, and projects for priority occupancy by military households.

The public housing authorization is tentatively distributed by regions and insuring jurisdiction on the basis of need and of preliminary planning and reservations indicating readiness to initiate project development.

The numbers of families to be assisted by the tentative allocations of contract authority under each of the four programs in each field office jurisdiction are then combined (sec. 235, sec. 236, rent supplement, and public housing). A percentage distribution of the national total is then prepared for these jurisdiction totals.

This percentage distribution is then compared with a similar percentage distribution by jurisdictions for the total "needs" for subsidized housing under all programs combined. This estimate of total "needs" reflects (as described previously) the aggregate number of eligible households who could be expected within a 12-month period to occupy additional subsidized units made available under all programs. I might interject that is the summary of what you are trying to do.

This comparison is often referred to as the "fair share" comparison and seeks especially to bend the course of annual production so that all geographic jurisdictions are making uniform progress toward the longer term goals. If, for example, annual subsidy funds for the Nation can accomplish only 30 percent of that year's share of the 10-year goals, then the "fair share" comparison is intended to bring each jurisdiction's participation as close as practicable to that 30-percent level. These long term goals contemplate, under the combination of all programs, the provision of a sufficient amount of assisted housing to make it possible that no American family will have to live in substandard housing.

The accompanying chart shows for two of the three specific jurisdictions (designated as A and C for illustrative purposes), their computed percentages for the respective contract authority allocations, the approximate numbers of families expected to be assisted through each program, the comparison of the aggregate assisted families with the "fair share" standard, and finally, the administrative modifications in selected program allocations as a result of these comparisons explained hereinafter. Jurisdiction B required no adjustments. These numbers all relate to fiscal year 1972 allocations of contract authority and anticipated calendar year 1972 building operations.

Administrative modifications are made to the tentative allocations at this point to bring the allocations as closely into line with the "fair share" computations as possible. These modifications may be appropriate because of one or more of the following kinds of situation:

1. A decrease in the allocation of contract authority to compensate for unused authority in a particular office.

2. An increase in section 236 or public housing authority to compensate for the fact that the section 235 program is inoperable because of high costs. New York City is a prime example.

3. A decrease in the allocation where production is reaching the point of outstripping the need for the housing due to unusual local market adjustments. I can state parenthetically Seattle would be such an illustration.

4. An increase in the allocation to promote housing production in an area where the housing needs are substantially higher than past production.

5. Adjustments in program allocations to compensate for local conditions that were not reflected in our statistical computations. The housing market in Seattle, for example, because of the unemployment in the area needed additional public housing leasing authority rather than sections 235 and 236 authority.

At this point, when these modifications have been made the proposed allocations are sent to the regional offices for consultation and comment by the field offices. As soon as we receive this commentary from the field, we, in consultation with the regional offices, make any further administrative modifications necessary to compensate for the field recommendations, taking care not to deviate from the "fair share" principle. The final figure is our "adjusted fair share." And that is actually the dollars and units which are distributed, the adjusted fair share.

The "adjusted fair share" allocations are then given to the HUD Regional Administrators for distribution to the field offices. However, during the year, they are under constant scrutiny by both the regional and central offices. As the year progresses, contract authority is reassigned among offices within a region, or among regions if necessary, where it becomes evident that contract authority will not result in housing starts. Or when special circumstances, unknown at the time of initial distribution of authority, occur. A natural disaster is one of the occasions for such a redistribution. Obviously, the need resulting such a disaster dictates a special response from the Department.

Mr. MONAGAN. Mr. Secretary, would you furnish for the record at this point the identity of the regions? I don't know that we have charts designating the location of each of the regional offices and the extent of their geographic responsibility.

Mr. GULLEDGE. I will be delighted to. You would like to know the location of our 10 regional offices?

Mr. MONAGAN. Yes, and how do you define an area office?

Mr. GULLEDGE. The area office is a subdivision of the region and within that region there is also a subdivision of FHA insuring office.

Mr. MONAGAN. Let's put those all in the record at this point so it will be clear.

(The chart follows:)

FIELD OFFICE JURISDICTIONS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GEORGE ROMNEY, SECRETARY
RICHARD C. VAN DUSEN, UNDER ... RETARY
October 1, 1971

REGION I

Regional Administrator
James J. Barry
Rm. 800, John F. Kennedy
Federal Building
Boston, Massachusetts 02203
Tel. (617) 223-4066

AREA OFFICES

CONNECTICUT, HARTFORD 06105
999 Asylum Avenue
Tel. (203) 244-3638

MASSACHUSETTS, BOSTON 02114
Bulfinch Building
15 New Chardon Street
Tel. (617) 223-4111

NEW HAMPSHIRE, MANCHESTER 03101
Davison Building
1230 Elm Street
Tel. (603) 669-7681

INSURING OFFICES

MAINE, BANGOR 04401
Federal Building and Post Office
202 Harlow Street
FTS Tel. (207) 942-8342
Commercial Number: 942-8271

RHODE ISLAND, PROVIDENCE 02903
300 Post Office Annex
Tel. (401) 528-4391

VERMONT, BURLINGTON 05402
630 Federal Building
Elmwood Avenue
FTS Tel. (802) 862-6274
Commercial Number: 862-6501

HUD-788 (10/71) Previous Edition Obsolete

REGION II

Regional Administrator
S. William Green
26 Federal Plaza
New York, New York 10007
Tel. (212) 264-8068

AREA OFFICES

NEW JERSEY, CAMDEN 08103
The Parkade Building
519 Federal Street
Tel. (609) 963-2301

NEW JERSEY, NEWARK 07102
Gateway 1 Building
Raymond Plaza
Tel. (201) 645-3010

NEW YORK, BUFFALO 14202
Grant Building
560 Main Street
Tel. (716) 842-3510

NEW YORK, NEW YORK 10007
120 Church Street
Tel. (212) 264-0522

COMMONWEALTH AREA OFFICE

PUERTO RICO, SAN JUAN 00936
Post Office Box 3869 GPO
255 Ponce de Leon Avenue
Hato Rey, Puerto Rico
FTS Tel. (Dial Code 106 - ask operator for listed number - 622-0201)
Commercial Number: 622-0201

INSURING OFFICES

NEW YORK, ALBANY 12206
Westgate North
30 Russell Road
Tel. (518) 472-3567

NEW YORK, HEMPSTEAD 11550
175 Fulton Avenue
Tel. (516) 485-5000

REGION III

Regional Administrator
Theodore R. Robb
Curtis Building
6th and Walnut Streets
Philadelphia, Pennsylvania 19106
Tel. (215) 597-2560

AREA OFFICES

DISTRICT OF COLUMBIA, WASHINGTON 20005
1310 L Street, N.W.
Tel. (202) 382-4855

MARYLAND, BALTIMORE 21201
Federal Building
31 Hopkins Plaza
Tel. (301) 962-2121

PENNSYLVANIA, PHILADELPHIA 19106
Curtis Building
625 Walnut Street
Tel. (215) 597-2358

PENNSYLVANIA, PITTSBURGH 15222
1000 Liberty Avenue
Tel. (412) 644-2802

VIRGINIA, RICHMOND 23240
201 East Franklin Street
Post Office Box 10011
Tel. (703) 782-2721

INSURING OFFICES

DELAWARE, WILMINGTON 19801
536 Wilmington Trust Building
FTS Tel. (302) 658-6361
Commercial Number: 658-6911

WEST VIRGINIA, CHARLESTON 25301
New Federal Building
500 Quarrier Street
FTS Tel. (304) 343-1321
Commercial Number: 343-6181

REGION IV

Regional Administrator
Edward H. Baxter
Peachtree-Seventh Building
50 Seventh Street, N.E.
Atlanta, Georgia 30323
Tel. (404) 526-5595

AREA OFFICES

ALABAMA, BIRMINGHAM 35233
Daniel Building
15 South 20th Street
Tel. (205) 325-3264

FLORIDA, JACKSONVILLE 32204
Peninsular Plaza
661 Riverside Avenue
Tel. (904) 791-2626

GEORGIA, ATLANTA 30303
Peachtree Center Building
230 Peachtree Street, N.W.
Tel. (404) 526-4576

KENTUCKY, LOUISVILLE 40202
Children's Hospital Foundation Bldg
601 South Floyd Street
Tel. (502) 582-5254

MISSISSIPPI, JACKSON 39202
301 North Lamar Street
FTS Tel. (601) 948-2267
Commercial Number: 948-7821

NORTH CAROLINA, GREENSBORO 27408
2309 West Cone Boulevard
Northwest Plaza
FTS Tel. (919) 275-9361
Commercial Number: 275-9111

SOUTH CAROLINA, COLUMBIA 29201
1801 Main Street
Jefferson Square
FTS Tel. (803) 253-3635
Commercial Number: 253-8371

TENNESSEE, KNOXVILLE 37919
One Northshore Building
1111 Northshore Drive
FTS Tel. (615) 524-4011
Commercial Number: 584-8527

INSURING OFFICES

FLORIDA, CORAL GABLES 33134
3001 Ponce de Leon Boulevard
FTS Tel. (305) 350-5567
Commercial Number: 445-2561

FLORIDA, TAMPA 33609
4224-28 Henderson Boulevard
Post Office Box 18165
FTS Tel. (813) 226-7511
Commercial Number: 228-7211

TENNESSEE, MEMPHIS 38103
Federal Office Building
167 N. Main Street
Tel. (901) 534-3141

TENNESSEE, NASHVILLE 37203
1717 West End Building
Tel. (615) 749-5521

REGION V

Regional Administrator
George J. Vavoulis
300 South Wacker Drive
Chicago, Illinois 60606
Tel. (312) 353-5680

AREA OFFICES

ILLINOIS, CHICAGO 60602
17 North Dearborn Street
Tel. (312) 353-7660

INDIANA, INDIANAPOLIS 46205
Willowbrook 5 Building
4720 Kingsway Drive
Tel. (317) 633-7188

MICHIGAN, DETROIT 48226
5th Floor, First National Building
660 Woodward Avenue
Tel. (313) 226-7900

MINNESOTA, MINNEAPOLIS–ST. PAUL
Griggs-Midway Building
1821 University Avenue
St. Paul, Minnesota 55104
Tel. (612) 725-4801

OHIO, COLUMBUS 43215
60 East Main Street
Tel. (614) 469-5737

WISCONSIN, MILWAUKEE 53203
744 North 4th Street
FTS Tel. (414) 224-3214
Commercial Number: 272-8600

INSURING OFFICES

ILLINOIS, SPRINGFIELD 62705
628 East Adams Street
Post Office Box 1628
FTS Tel. (217) 525-4414
Commercial Number: 525-4085

MICHIGAN, GRAND RAPIDS 49503
921 Division Avenue North
Tel. (616) 456-2225

OHIO, CINCINNATI 45202
Federal Office Building
550 Main Street, Room 9009
Tel. (513) 684-2884

OHIO, CLEVELAND 44199
Federal Building
1240 East 9th Street
Tel. (216) 522-4065

REGION VI

Regional Administrator
Richard L. Morgan
Federal Building
819 Taylor Street
Fort Worth, Texas 76102
Tel. (817) 334-2867

AREA OFFICES

ARKANSAS, LITTLE ROCK 72201
Union National Bank Building
One Union National Plaza
FTS Tel. (501) 372-5401
Commercial Number: 372-4361

LOUISIANA, NEW ORLEANS 70113
Plaza Tower
1001 Howard Avenue
Tel. (504) 527-2062

OKLAHOMA, OKLAHOMA CITY 73102
301 North Hudson Street
FTS Tel. (405) 231-4891
Commercial Number: 231-4181

TEXAS, DALLAS 75202
Room 14-A-18, New Dallas Federal Building
1100 Commerce Street
Tel. (214) 749-2158

TEXAS, SAN ANTONIO 78285
Kallison Building
410 South Main Avenue
Post Office Box 9163
FTS Tel. (512) 225-4685
Commercial Number: 225-5511

INSURING OFFICES

LOUISIANA, SHREVEPORT 71101
Ricou-Brewster Building
425 Milam Street
FTS Tel. (318) 425-6601
Commercial Number: 425-1241

NEW MEXICO, ALBUQUERQUE 87110
625 Truman Street, N.E.
FTS Tel. (505) 843-3251
Commercial Number: 256-9877

OKLAHOMA, TULSA 74152
1708 Utica Square
Post Office Box 4054
FTS Tel. (918) 584-7435
Commercial Number: 584-7151

TEXAS, FORT WORTH 76102
819 Taylor Street
Room 9A35 Federal Building
Tel. (817) 334-3233

TEXAS, HOUSTON 77002
Room 2419 Federal Building
515 Rusk Avenue
Tel. (713) 226-4335

TEXAS, LUBBOCK 79401
Courthouse and Federal Office Building
Room 514, 1205 Texas Avenue
FTS Tel. (806) 747-3294
Commercial Number: 747-3711

REGION VII

Regional Administrator
Harry I. Sharrott (Acting)
Room 300 Federal Office Building
911 Walnut Street
Kansas City, Missouri 64106
Tel. (816) 374-2661

AREA OFFICES

KANSAS, KANSAS CITY 66117
One Gateway Center
5th and State Streets
Post Office Box 1339
Tel. (816) 374-4355

MISSOURI, ST. LOUIS 63101
210 North 12th Street
Tel. (314) 622-4760

NEBRASKA, OMAHA 68106
Univac Building
7100 West Center Road
Tel. (402) 221-4221

INSURING OFFICES

IOWA, DES MOINES 50309
210 Walnut Street
Room 259 Federal Building
Tel. (515) 284-4481

KANSAS, TOPEKA 66603
700 Kansas Avenue
Tel. (913) 234-8241

REGION VIII

Regional Administrator
Robert C. Rosenheim
Federal Building
1961 Stout Street
Denver, Colorado 80202
Tel. (303) 837-4881

INSURING OFFICES

COLORADO, DENVER 80202
4th Floor, Railway Exchange
909 - 17th Street
Tel. (303) 837-4521

MONTANA, HELENA 59601
616 Helena Avenue
Tel. (406) 442-3237

NORTH DAKOTA, FARGO 58102
Federal Building
653 - 2nd Avenue N.
Post Office Box 2483
Tel. (701) 237-5136

SOUTH DAKOTA, SIOUX FALLS 57102
119 Federal Building U.S. Courthouse
400 S. Phillips Avenue
FTS Tel. (605) 336-2223
Commercial Number: 336-2980

UTAH, SALT LAKE CITY 84111
125 South State Street
Tel. (801) 524-5237

WYOMING, CASPER 82601
Federal Office Building
100 East B Street
FTS Tel. (307) 265-3252
Commercial Number: 265-4310

REGION IX

Regional Administrator
Robert H. Baida
450 Golden Gate Avenue
Post Office Box 36003
San Francisco, California 94102
Tel. (415) 556-4752

AREA OFFICES

CALIFORNIA, LOS ANGELES 90057
2500 Wilshire Boulevard
Tel. (213) 688-5127

CALIFORNIA, SAN FRANCISCO 94111
1 Embarcadero Center
Suite 1600
Tel. (415) 556-2238

INSURING OFFICES

ARIZONA, PHOENIX 85002
244 West Osborn Road
Post Office Box 13468
FTS Tel. (602) 261-4434
Commercial Number: 261-3900

CALIFORNIA, SACRAMENTO 95809
801 I Street
Post Office Box 1978
Tel. (916) 449-3471

CALIFORNIA, SAN DIEGO 92112
110 West C Street
Post Office Box 2648
Tel. (714) 293-5310

CALIFORNIA, SANTA ANA 92701
1440 East First Street
FTS Tel. (213) 836-2451
Commercial Number: (714) 836-2451

HAWAII, HONOLULU 96801
1000 Bishop Street, 10th Floor
Post Office Box 3377
FTS Tel. (Dial 415-556-0220 and ask operator for 546-2136)
Commercial Number: 546-2136

NEVADA, RENO 89505
70 Linden Street
Post Office Box 4700
Tel. (702) 784-5213

REGION X

Regional Administrator
Oscar P. Pederson
Arcade Plaza Building
1321 Second Avenue
Seattle, Washington 98101
Tel. (206) 442-5415

AREA OFFICES

OREGON, PORTLAND 97204
520 Southwest 6th Avenue
Tel. (503) 226-2726

WASHINGTON, SEATTLE 98101
Arcade Plaza Building
1321 Second Avenue
Tel. (206) 442-7456

INSURING OFFICES

ALASKA, ANCHORAGE 99501
228 Federal Building
Post Office Box 480
FTS Tel. (Dial 206-583-0150 and ask operator for 272-5561 Ext. 791)
Commercial Number: 272-5561

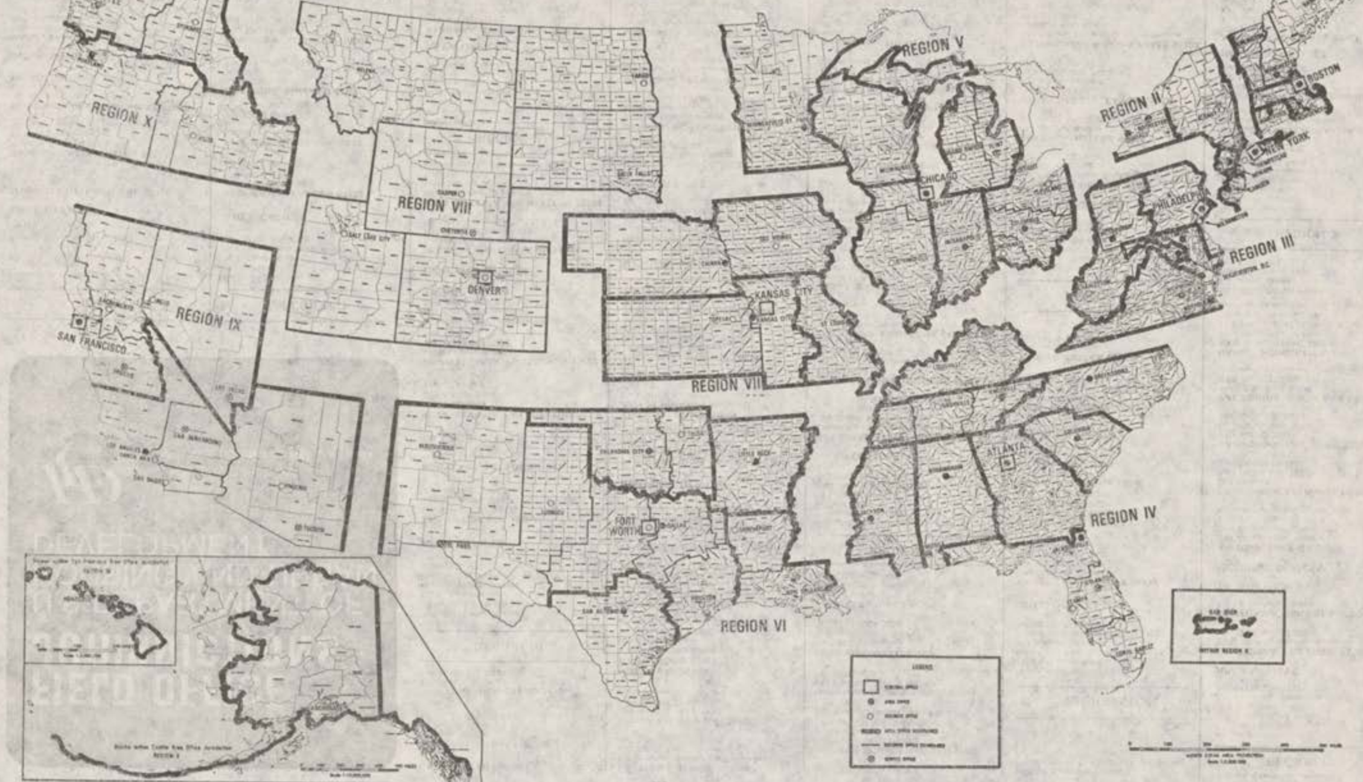
IDAHO, BOISE 83701
331 Idaho Street
FTS Tel. (208) 342-2732
Commercial Number: 342-2711

WASHINGTON, SPOKANE 99201
West 920 Riverside Avenue
Tel. (509) 456-2510

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FIELD OFFICE JURISDICTIONS

OCTOBER 1, 1971



Mr. GULLEDGE. Thank you, sir.

I would like to comment about the natural disaster. Last year we had a hurricane in the Corpus Christi area. That obviously was unanticipated. A lot of houses were destroyed and we had to reallocate to the Corpus Christi jurisdiction, which comes out of San Antonio, about 1,000 additional units of 235 plus rent supplement, public housing, and 236 to provide housing there on a basis that had not been previously anticipated.

In the development of a "starts" distribution of calendar year 1972, a further refinement of our procedures has been made. The "set-aside" contract authority for special programs, which I mentioned earlier, was generally retained in the central office. In fiscal year 1972, the "adjusted fair share" allocations will include what is anticipated from the various special housing programs—new communities, the State and local housing development programs, model cities, and urban renewal. The only exceptions will be for "Operation Breakthrough" and "Project Rehab" programs, where it is usually uncertain as to the field-office jurisdiction in which projects under these programs will be approved because of the technical and other special considerations in these programs. Therefore, with exceptions for these two programs, adjustments to the field-office allocations will be necessary only to reflect contract authority that is identified as unusable in any particular office or the possible considerations I have just listed.

So much for the distribution of contract authority by the central office and the regional offices.

Obviously, the contract authority which we have carefully distributed among the field offices is not left for their ultimate use without criteria designed to obtain the best use possible under both statutory and administrative requirements.

From the inception of the sections 235 and 236 programs, the decisions on what housing proposals to fund with the available contract authority were made by the directors of our field offices. Since the number of housing proposals always greatly exceeded the contract authority, the field-office directors have had to exercise judgment in establishing priorities for projects to be funded.

After the normal underwriting considerations were taken into account, the directors were instructed in 1968 to evaluate the proposed section 236 projects according to the following factors:

1. Can the proposal proceed expeditiously to construction?
2. Is the proposal located in an urban renewal area?
3. Is the proposal located in a "model city" neighborhood?
4. Will the proposal emphasize low cost and modest design?
5. Will the proposal assist in the revitalization of a "core city" blighted area?
6. Will the proposal primarily accommodate families now located within a blighted area?
7. Will the proposal provide opportunities for employment of lower income persons residing in the area?
8. Will the proposal serve families and individuals displaced by governmental action?
9. Will the proposal serve a percentage of rent supplement tenants?

69-323—71——4

10. Will the proposal provide for awarding contracts for work to be performed to business concerns and individuals residing in the area of such housing?

11. Will the proposal include community facilities in an area not now adequately served or which will provide job and business opportunities for lower income residents of the area?

Very similar factors were developed for evaluating section 235 housing proposals in 1969.

The offices were told that there was no order of priority among these evaluation factors and that no one proposal could satisfy each item. But taken together, the factors represented a composite of those features of a section 236 project that were considered most desirable and necessary to serve the important social objectives of the program.

These factors were modified somewhat in 1969, particularly to emphasize the geographic dispersion of subsidized projects in order to minimize project concentrations and to increase locational choices for low-income families. In general, the basic method initially outlined for the directors remained the same until the establishment of interim project selection criteria to implement President Nixon's policy statement on equal opportunities in housing on June 11, 1971.

These project selection criteria, which are now in effect in the field on an interim basis, pending the issuance of a final version, are captioned as follows:

1. Need for Low(er) Income Housing.
2. Minority Housing Opportunities.
3. Improved Location for Low(er) Income Families.
4. Relationship to Orderly Growth and Development.
5. Relationship of Proposed Project to Physical Environment.
6. Ability To Perform.
7. Project Potential for Creating Minority Employment and Business Opportunities.
8. Provision for Sound Housing Management (Multifamily Projects Only).

The field office directors evaluate housing proposals under these criteria and rate each criterion as superior, adequate, or poor. A poor rating under any criterion will result in the rejection of the housing proposal.

This concludes my prepared statement on the allocation of contract authority under the subsidized housing programs. I will now be pleased to take up any matters you mentioned in your letter inviting me to appear before this subcommittee.

I would like to indicate that I have furnished Mr. Still the updated data which was requested in the chairman's letter.

(See letters, p. 2.)

Mr. MONAGAN. Thank you very much, Mr. Secretary.

Maybe it would be helpful to begin with one subject on which we did request information in our letter but which is not directly related to the calculations of eligibility and distribution. That is the reorganization.

What is the status of the reorganization? Is that completed?

Mr. GULLEDGE. I think it is safe to say that the September 30 deadline for having operational the 16 additional area offices has been substantially met. That does not mean that every office has everybody on board at this time fully trained and capable of performing all of its functions. But at least the offices have been relocated in their new accommodations. Because all area offices were built up from insuring offices by adding a significant number of additional personnel, I believe in every case it required relocation of the office into another building. That has been accomplished.

The directors of all offices are on board; principal staff are on board. To a great extent we consider these at least are operational as of September 30, with the proviso there still are management and budgeted staff places that have to be plugged in, and some additional training needs for people who have some new responsibilities.

Mr. MONAGAN. Was the establishment and activation of the area offices the principal subject of the reorganization, or were there other parts to it?

Mr. GULLEDGE. No, sir. The reorganization of the Department, of course, is something the Secretary implemented starting in the fall of 1969. That is substantially completed also. But there was a central office realignment of responsibilities accompanying the field office realignment of responsibilities.

There was also, as you will recall, the organization of four new regional offices. There had been six; they were expanded to 10. So that has been accomplished, in addition to the organization of some 39 HUD area offices out of what had been formerly insuring offices, leaving us with a balance of 38 FHA insuring offices to go with the 39.

Mr. MONAGAN. Then with reference to your area of prime responsibility, there are no other major substantial elements with regard to changes that remain to be done?

Mr. GULLEDGE. Not according to the Secretary's present plans—with the possible exception, of course, in the President's proposed organization of the Department of Community Development, there would be a further refining and shaping. That proposal contemplates the establishment of an Administrator for Housing, with two subbranches under it comparable to what we now have in the Assistant Secretary for Housing Production and Assistant Secretary for Housing Management. That, of course, is in the future.

Mr. MONAGAN. But the previously proposed reorganization is substantially completed?

Mr. GULLEDGE. That is substantially completed, Mr. Chairman.

I suppose I would have to interject here there was something indicated in the papers yesterday. The Secretary, like all members of the administration, is under responsibility of trying to adjust to a reduction in employment. We have been asked by the Secretary's Central Office to provide for him alternate ways of achieving a desired reduction in employment. That may necessitate some minor rearranging of responsibilities within the individual areas of current responsibility of each of the Assistant Secretaries, but as far as I know, we haven't completed our studies on that yet, and I am unable to be responsive as to whether that will result in any change. There is just a possibility there might be a realinement within, or a combination of some functions within, the Assistant Secretary areas, sprouting from efforts to see if we can't reduce employment.

Mr. MONAGAN. Does that involve at this point a mandate to reduce by a certain percentage within your area of responsibility?

Mr. GULLEDGE. The Secretary has asked each of his Assistant Secretaries to come up with alternate plans—first of all to reduce our total by 5 percent, second to provide alternates in which various steps of 20 percent, 30 percent, and 40-percent reduction could be accomplished. These are not based with any concept that a 20-, 30-, and 40-percent level would be sought or would be expected to be achieved. The purpose of that request of the Secretary is obviously to reflect what would be the nature of the organization you would have if such were carried out. I personally feel it is my responsibility to be able to tell the Secretary that if it became necessary to reduce employment among the people that I have under my jurisdiction by 20 percent, the following would be the effect; by 30 percent, this would be the effect; 40 percent, this would be the effect.

I gave an illustration to my staff that seemed to put across the point. If you started with a six-legged table, you can cut off 1, 2, 3, 4. You can cut off 3 and have a 3-legged table, but when you cut off the fourth leg, the 2-legged table won't stand and you have destroyed the usefulness of the table. There is a point beyond which when you drop off people you simply have to change function because you can't perform that function any more with a number of people who simply can't do the job. You have to drop the function or combine it with something else and so forth.

Mr. MONAGAN. Of course we are all interested in economy and efficiency wherever possible. On the other hand there hasn't been any reduction in responsibility that has been given to your segment of HUD, has there?

Mr. GULLEDGE. No, sir; I think the responsibilities, of course, as indicated in the Secretary's testimony back in May, have continued to grow, and quite properly so. But the way in which the responsibility is carried out is being modified. There was a time when practically every decision on all major programs was made in Washington. Therefore you needed in Washington a lot of people who could process papers to arrive at a decision on an individual project. The Secretary's decentralization makes that no longer necessary. As a matter of fact it isn't even being done. Decisions on a project-by-project basis are arrived at in the field. The Secretary is properly concerned whether or not we haven't retained in the central office people who really should be in the field.

The net result is that a reduction of central office and regional office people will be accompanied by an increase in area and insuring office people. The Secretary has indicated that his requirement is to make a net total reduction of about 5 percent in the overall employment, but he wants to accompany that with a redistribution of personnel so that we increase our capacity to handle the projects in the field by some 400 people.

Mr. MONAGAN. Regardless of what the percentage might be, there would come a point where the reduction in force would have an effect on your capacity to carry out your programs efficiently?

Mr. GULLEDGE. Certainly. There is no question but what we have the administrative responsibility to try to make certain that all of the innovations of which we are capable and all of the efficiency of which we are capable are brought to bear to make sure if we are attempting to carry out a program, we can carry it out properly. If we reach the point where it can't be carried out properly, then I am sure the Secretary will be the first to tell the President and/or the Congress we do not have the resources to carry out and implement this program.

Mr. MONAGAN. Mr. Secretary, I am going to move to the other question now. That is the distribution among regions under these programs. I would like to ask about section 235 distribution. For example, the figures that we have show, taking the total for 3 fiscal years, that is fiscal 1969, 1970, and 1971, you have a total for region 1 of $7 million, a total for region 2 of $17 million, a total for region 3 of $15 million, a total for region 4, Alabama, Florida, Georgia and so forth, $84 million, a total for region 5 of $60 million and so on.

Realizing there must be room for some variation, why would there be such a discrepancy between region 2, which includes New York, Buffalo, Albany, Newark, Camden, with a total of $17 million, and region 4, to which I referred before, with a total of $84 million?

Mr. GULLEDGE. Of course, Mr. Chairman, the regions were never uniform—I don't know who formed them but obviously they do not have anything approaching uniformity among them. They neither have uniform populations or age distributions, costs or any other ingredient which comprise the elements affecting the programs. We have to examine in each region the statistics which dictate what is there in proportion to the total national need.

That explains why in a particular region you might find an awful lot of use of a program because of certain characteristics that you can't explain otherwise. For instance, section 235 has a statutory ceiling on it. That statutory ceiling simply prohibits the construction of new 235 housing in the Northeast. You can't build a $21,000 three-bedroom house in New York, you can't build it in Boston. There are lots of places you can't build it.

When you can't build it you obviously can't use the program.

Whenever you go down into the South, Southeast and Southwest, construction costs are less, operating costs are less, far more people there can utilize the programs and consequently get the use of them. But all of these factors are cranked into each of these things as we have indicated in our previous testimony.

Mr. MONAGAN. In other words, this is not a discrimination, however well intentioned it may be, because of geographical reasons or other similar factors?

Mr. GULLEDGE. Geographic, economic, demographic, all of the various things which happen to exist in an area and with which we have to deal within the limits which are imposed upon each of the programs. If you are trying to provide elderly housing, you have an age factor. If you are trying to provide housing for people of certain incomes, you have that. If there are certain mortgage limits, you have that. Coupled with the fact that we find a somewhat varying capacity of the housing industry in a given area to use these programs.

I will be illustrative.

Hartford, Conn., at one time was having practically no use of the 235 program. I am scheduled to be in Hartford the first day of November to make a special appeal to the housing industry people there to see if we can't persuade them to get into the act because they have shunned the program. Lenders don't want to lend on it, the builders don't want to build in it, and as a consequence the programs had very inadequate utilization in Hartford.

Whenever we identify areas like that, we try to see what we can do to educate the industry to using it.

For a long time no banks in Massachusetts except those immediately in Boston were interested in making a 235 loan. They wouldn't make them. Our regional administrator up there got with the S. & L.'s, got with the director of the home loan bank in Boston, called in S. & L.'s from all over and had big meetings all around to try to stimulate the interest of the lenders in the program.

So these are things which become part and parcel of the allocations finally because we have to put the dollars where they will be used. Of course, we recognize our responsibility to try to get them used across the country.

Mr. MONAGAN. Recognizing what you say, in New York there are apparently no funds for 235 construction.

Mr. GULLEDGE. We have two variations of our field structure. The New York office, as shown there, does not handle single-family houses. The Hempstead office handles single families only. New York handles multifamily only. In the Los Angeles office we have Santa Anna which handles single family only and does not handle multifamily. So you have two offices handling only single family, Santa Anna and Hempstead in the New York area.

Mr. MONAGAN. What I am trying to ask about, Detroit, for example, shows a total of $13.9 million against Hempstead, L.I., $400,000. Are there different elements involved?

Mr. GULLEDGE. Yes, costs. Once again Hempstead does its principal business in Long Island. It is very difficult there to build a $21,000 house. It is less difficult in the Detroit area jurisdiction.

Mr. MONAGAN. It is less difficult in Detroit than in New York?

Mr. GULLEDGE. The costs are not as high and therefore you can reach them.

Mr. MONAGAN. I have other questions but I would like to recognize our other members for an opportunity to ask questions. I will ask Mr. Brown if he would like to inquire.

Mr. BROWN. Thank you, Mr. Chairman. It is nice to have you with us this morning, Mr. Gulledge.

It is not covered by your statement, but a factor in the allocation of funding that has always interested me is the question of the amount of consideration to be given the number of units versus the location of units.

In other words, if you have funding which is not adequate to cover all of your programs and to do everything that needs to be done within each program, there is a limitation then. If you participate in the higher cost areas, then your participation is greater and as a consequence you are able to subsidize fewer units. Whereas if you are basically addressing your attention to trying to get more units, then you cannot subsidize those that require greater participation. To what extent is this a dilemma?

Mr. GULLEDGE. We recognized that to begin with, and we address ourselves to it in this way: I think I could make my point a little clearer if I could ask you to refer to the first of the attached charts in my prepared testimony. These charts would seem to appear as if they are not addressing themselves to this dilemma because we show for jurisdictions A, B and C on 235 how we could go about a tentative allocation of Secretary's 235 contract authority, fiscal 1972. Right in the middle of each of those illustrations we find the figure $777 and it is repeated in all three jurisdictions. These are widely scattered geographic areas. We are using the same amount which is the amount of subsidy dollar it takes per unit on a national average.

Now in Mississippi obviously you can build a unit for less than you can in Detroit, so the amount of mortgage you are subsidizing is smaller and in theory Mississippi should be able to get by with less than $777. In actual fact they do. In Detroit it should take more than $777, and in fact it does.

But we have to have some formula to make this type of distribution along these lines. The simple fact is that our comptroller is required by rulings of the General Accounting Office interpreting the statute, to be able to make certain that we do not commit more funds than have been made available to us by authorization. So he has a uniform figure, the $777 figure we are using here, which is this year's figure, which is applied to each application which he is notified has been approved.

When the mortgage finally comes in for insurance, an adjustment is made; but it is not until we get the insured mortgage that we know what the final figure was. The mortgage could be different from what the application was. That often turns out to be the case. So he has to first of all make a reservation based on the $777.

In the case of Mississippi when he gets in at the end of a month a report on the actual mortgage amount, he finds Mississippi didn't use $777, Mississippi's unused part goes into a pot. He finds Detroit used more than $777. He has to take some of Mississippi's pot and add to Detroit's pot so Detroit has enough money to take care of theirs. Mississippi isn't using as much of theirs. This way you do get the fact that more money is available in Detroit than is available in Mississippi to balance out for the same number of 235 units.

We do a much more refined process in 236 than we do in 235. We expect to put on the books this year something approaching 200,000 individual mortgages on 235. It would be utterly impossible with staff and capacity and equipment we have to make the individual computations on every mortgage in advance. When it comes to 236 mortgages, however, the numbers of units are very high but the number of mortgages comes down to somewhere between 1,500 and 2,000 for a whole year. That we can work on an individual basis.

So in our distribution of contract authority for 236 we initially recognize what our current costs are running, so that when we distribute money to New York for 236 units we have already computed the fact that it costs more to build an apartment in New York than it does in Jackson, Miss. Jackson, Miss, gets less dollars per unit. New York gets more dollars per unit in 236 because that is within our capacity to figure in advance. Several hundred thousand 235 mortgages we just can't figure. The end result, however, is a reasonable approximation of a fair share distribution not only of living units but of dollars. After all, people live in units, they don't live in dollars. We are trying to distribute units first of all on an equitable basis and give them the dollars it takes to finance those units.

Mr. Brown. Then your allocation of funding is based more upon the number of units you contemplate will be built than on the raw data of need?

Mr. Gulledge. Yes. Need is 60 percent weighted against 40 percent on ability to use the program. We like to think that need is predominant.

Mr. Brown. What I am getting at is: Are you twice considering the high-cost areas? Are you considering it in your allocation of funds and then considering it in your allocation of units?

Let's not take Mississippi and Detroit but let's take two areas in Detroit where the costs of units are substantially different. With regard to the surplus that is derived because there is a lower cost of participation by you for the same number of units, if you take that surplus, then give it to the area where the cost is greater, don't you reward possibly the high-cost areas at the expense of the low-cost areas if we are looking at the number of units to be built?

Mr. Gulledge. I don't think it's a question of rewarding as much as it's simply recognizing what the facts are.

We don't think it's trying to reward high-cost areas. It simply recognizes that the people who need the housing themselves don't control the cost but they need the housing and we like to think the dollars follow the units, not vice versa. We don't give out dollars as the primary consideration. We are giving out houses and units and providing the dollars it takes to fund those units.

If we were unconscious of the fact that costs are high and did nothing about trying to keep them down, I think it could be said you're simply feeding the additional high-cost areas and promoting high costs. We have some pretty good instructions out to the field now which call upon the field to use prototype costs and make certain that as they approve projects we are within the bounds of what we have previously determined should be an adequate amount in order to build a decent home or apartment.

We don't just feed the fuel of inflation by approving any type of project or type of cost. We make a very conscious effort to hold the cost of the units down to something that is readily marketable.

The Secretary has made it very clear he wants no specific identification of a unit saying, "That is a subsidized unit," and if you go down the street you recognize it. It has to be readily marketable and still not be goldplated or gingerbreaded up or anything else that is unnecessary for decent housing.

Mr. Brown. I am convinced of your sincerity in attempting to do equity and to handle your allocation of funds fairly.

Is there anything, or is there one thing or two things, in the legislation that you are presently required to function under that impedes your attempt to do equity more than anything else?

Mr. Gulledge. Yes, sir; more than anything else, I think it's the containment within the statutes of certain fixed limits, like mortgage limits. I think it's a gross discrimination against the north-central and northeastern part of the country with the imposed statutory limits. I think we ought to be able to proceed on a prototype basis all over the country.

I think the tying of the 235 and 236 income limits to a percentage of income limits set by an independent action of a reasonably autonomous agency; namely, the local housing authority, is also a great injustice to many areas.

The local housing authorities may or may not be desirous of doing a proper job. In those areas where they don't do a proper job and we have to tie 235 and 236 income limits to their inaction or lack of properly motivated action, we are doing a disservice to the people who would otherwise qualify for the 235 or 236 program if a uniform approach had been made.

I think both of those elements are contained in the Department's proposed legislation which has been submitted to the Banking and Currency Committee. They would both give the Secretary the administrative ability to determine income limits and mortgage limits based on the conditions as they exist, rather than on some theoretical concept which is contained in national legislation.

Mr. BROWN. With respect to the first legislative restriction that you said impedes your attempt to do equity, your explanation of that is pretty much in answer to the chairman's question about the problem of New York; is it not? Because you are saying there are no single family units.

Mr. GULLEDGE. Single-family units with conventional or federally involved financing is sort of out on Manhattan, as a for instance. You might go into the boroughs and find some single family units being built, even maybe a townhouse arrangement. But you still have a 235 cost limit there that is simply unacceptable. Nobody can build a house within the national limits which Congress imposed back in 1969, when they last modified it. They raised it in 1969 by $3,000. But the cost increased dramatically in 1969. We are talking about 1972 projections here. They are up dramatically, but the 1969 figure hasn't been changed.

More and more each month fewer and fewer areas of the country can get the benefit of these programs. That is something we need administrative flexibility to be able to adjust to rather than have to work it through Congress each time.

Mr. BROWN. Thank you, Mr. Chairman.

Mr. MONAGAN. Mr. Fascell?

Mr. FASCELL. Thank you, Mr. Chairman.

Mr. Secretary, how does the allocation work administratively on your programs within the region, within the area, and within the district?

Mr. GULLEDGE. We don't have a district, Mr. Fascell. We have the central office, 10 regional offices, and 77 offices below the regional level, some of which are known as area offices that handle all HUD programs and some are insuring offices that handle only the FHA insurance.

Mr. FASCELL. The regional office is in Atlanta?

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. The area office is in Jacksonville?

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. Where is the district office that has 10 southern counties?

Mr. GULLEDGE. It is located in Coral Gables and that is an FHA insuring office. To complete the Florida offices, there is one at Tampa which is an FHA insuring office.

Mr. FASCELL. So the area office is the last unit as far as allocation is concerned?

Mr. GULLEDGE. No, sir; the insuring office is the last unit for allocation of contract authority that falls within the programs that it handles. We were talking about housing only. The area office would be the last stop for water and sewer, urban renewal, and those things—which are not my responsibility.

For housing you get down to the insuring office level.

At the present the area office is handling public housing. We do not have public housing distributed down to insuring office levels, although we are working on it and hope to be able to have it in a reasonably short time. Your 235's and 236's and rent supplement are divided up and decided upon at the insuring office level—at the Coral Gables office, for example.

Mr. FASCELL. What is the status of fiscal 1971 funds?

Mr. GULLEDGE. I would have to submit for the record where we are. Fiscal 1971 funds are merely carried forward. Any unexpended fiscal 1971 funds are merely carried forward into 1972. If your question meant where were we back on June 30 at the close of fiscal 1971 we would be glad to supply that for the record.

Mr. FASCELL. Let me restate it. Are fiscal 1971 funds still being held?

Mr. GULLEDGE. There has been no holding of fiscal 1971 funds; no, sir. There is no holding of fiscal 1971 funds.

Mr. FASCELL. Whatever was unallocated at the end of the fiscal year is carried forward to 1972, is it?

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. It would be helpful to let us know what the status was as of June 30.

Mr. GULLEDGE. I would be glad to supply that.

(See appendix C, p. 135.)

Mr. FASCELL. Mr. Secretary, in the criteria for 236 projects about which you testified, is the question of overpopulation per unit considered?

Mr. GULLEDGE. You mean overcrowding?

Mr. FASCELL. Yes, sir.

Mr. GULLEDGE. That is one of the demographic types of considerations which we take into consideration. I would be glad to have Mr. Thornton touch on that and tell you all the points that we consider, if you would like to have that.

Mr. FASCELL. Is it determined under needs or market absorption capacity?

Mr. GULLEDGE. Under needs.

Mr. FASCELL. How do you determine that, Mr. Thornton? Where do you get that information?

Mr. THORNTON. From the 1960 census. It's the latest authoritative information there is on that subject.

Mr. GULLEDGE. We update the 1960 census every year, according to sample information and data which keeps flowing in. It doesn't simply come in on the form of census information. We have factors which we apply to the census data.

Mr. FASCELL. But you don't have the 1970 data yet?

Mr. GULLEDGE. No, sir. They told us that we would get it in the late winter or early spring of next year.

Mr. FASCELL. As I understand it, you have no independent information with respect to annual updates on such issues as overcrowding?

Mr. THORNTON. No.

Mr. FASCELL. You can't get it, in other words?

Mr. THORNTON. That is right.

Mr. FASCELL. FHA has no independent means of arriving at that?

Mr. THORNTON. That is right.

Mr. FASCELL. So we are already 10 years behind in determining need.

Mr. GULLEDGE. So far as actual house-by-house count, you are absolutely correct. We don't think we are nearly that far off, however, because we do apply corrective factors to the census data. We do some testing to see whether or not these corrective factors are in reason.

Mr. FASCELL. I just attended a meeting of the Subcommittee on Housing of the Banking and Currency Committee in Miami on this whole housing question of need, compliance, and criteria. The kindest thing I can say, after listening to that day-long testimony, is the program is in a shambles.

I would certainly commend that entire testimony for your personal review and any members of your staff who ought to be concerned about it. It is not a good picture.

Mr. GULLEDGE. We would be delighted to do that. If you would care, we would be glad to be responsive to the testimony. I wasn't a participant so I don't know what went on, but I would be glad to review the record and generate such response as you would like to have.

Mr. FASCELL. Mr. Baxter, the regional director was there, and the director of the local insurance office was there, so they are thoroughly familiar with it.

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. As I understand it, all of the need determinations that are made are subject to the administrative decision on the number of units to be made available, is that correct? That is in applying your adjusted fair share standard?

Mr. GULLEDGE. We start, first of all, of course, with national figures. Each program has its own variations. Let's just talk about 235.

We start with how much money has been appropriated and allocated and then we divide that by our anticipated subsidy and come up with a total number of units which, on the national average, we could expect to generate out of that contract authority. We start with the units.

Mr. FASCELL. As I understand it, you don't have the fiscal 1972 allocations yet, that you are in the process of arriving at that? Did I understand your testimony correctly?

Mr. GULLEDGE. No, sir. We have the fiscal 1972. We are in the process of distribution of those funds at the present time.

Mr. FASCELL. Is that in the committee records, Mr. Chairman, the total units available for these programs and the moneys for fiscal 1972, based on these criteria?

Mr. MONAGAN. We don't have them.

Mr. FASCELL. I think it would be very useful to have them.

Mr. GULLEDGE. We would be glad to supply that.

(The information requested follows:)

Fiscal year 1972 distribution through Oct. 29, 1971	Sec. 235 proposed construction: August and September 1971 distribution—4 or less and priority registration	Sec. 235 proposed construction: Oct. 29, 1971 distribution	Sec. 235 proposed construction: Total distribution through Oct. 29, 1971 new construction	Existing construction distribution through Oct. 29, 1971	Sec. 236: August and September 1971 allocation—covered early feasibility	Sec. 236: Oct. 29, 1971 allocation	Sec. 236: Fiscal year 1972 total allocation through Oct. 29, 1971
REGION I							
Connecticut: Hartford	$749,000		$749,000	$59,920	$801,918		$801,918
Maine: Bangor	154,080	$98,197	252,277	17,120	176,476		176,476
Massachusetts: Boston	2,218,752		2,218,752	83,032	713,530	$2,375,806	3,089,336
New Hampshire: Manchester	114,704	121,538	236,242	17,120	128,361	60,846	189,207
Rhode Island: Providence	94,160	189,532	283,692	17,120	695,210	16,838	712,048
Vermont: Burlington	107,856		107,856	12,840		41,055	41,055
Total for region I	3,438,552	409,267	3,847,819	207,152	2,515,495	2,494,545	5,010,040
REGION II							
New Jersey:							
Camden	318,432	110,861	429,293	91,592	291,207	404,396	695,603
Newark	506,752	1,072,889	1,579,641	126,688		1,048,000	1,048,000
New York:							
Albany	569,240	891,909	1,461,149	18,832	400,044	185,000	585,044
Buffalo	498,192	912,452	1,401,644	81,320	702,536	648,732	1,351,268
Hempstead	251,664		251,664	21,400			
New York					9,028,548	4,021,214	13,049,762
Puerto Rico: San Juan	1,923,432	873,652	2,797,084	51,360	709,043		709,043
Total for region II	4,067,712	3,861,763	7,929,475	391,192	11,131,378	6,307,342	17,438,720
REGION III							
Delaware: Wilmington	100,152	34,269	134,421	32,528		147,452	147,452
District of Columbia: Washington	285,904	338,416	624,320		425,786	847,705	1,273,491
Maryland: Baltimore	208,008	405,434	613,442	73,616	162,078	1,466,796	1,628,874
Pennsylvania:							
Philadelphia	362,944	1,135,112	1,498,056	25,680	390,461	1,098,749	1,489,210
Pittsburgh	1,018,640	164,264	1,182,904	225,984	1,011,148	876,196	1,887,344
Virginia: Richmond	992,960	121,647	1,114,607	64,200	561,541	844,347	1,405,888
West Virginia: Charleston	121,552	204,011	325,563	22,256	214,999	330,352	545,351
Total for region III	3,090,160	2,403,153	5,493,313	444,264	2,766,013	5,611,597	8,377,610

REGION IV							
Alabama: Birmingham	1, 351, 624	731, 104	2, 082, 728	137, 816	291, 099	1, 087, 718	1, 378, 817
Florida:							
Jacksonville	828, 608	----	828, 608	111, 280	527, 700	16, 638	544, 338
Miami	1, 534, 808	----	1, 534, 808	113, 848	735, 280	195, 007	930, 287
Tampa	1, 461, 192	77, 737	1, 538, 929	144, 664	457, 359	491, 488	948, 847
Georgia: Atlanta	2, 597, 960	347, 720	2, 945, 680	113, 848	209, 957	1, 332, 048	1, 542, 005
Kentucky: Louisville	1, 232, 640	----	1, 232, 640	113, 848	446, 630	283, 705	730, 335
Mississippi: Jackson	820, 048	75, 386	891, 434	113, 848	67, 157	465, 895	533, 052
North Carolina: Greensboro	1, 457, 768	659, 861	2, 117, 629	113, 848	159, 658	1, 342, 145	1, 501, 803
South Carolina: Columbia	1, 759, 080	----	1, 759, 080	113, 848	286, 519	791, 158	1, 077, 677
Tennessee:							
Knoxville	790, 944	87, 021	877, 965	113, 848	404, 339	69, 932	474, 271
Memphis	847, 440	116, 535	963, 975	111, 280	106, 776	273, 530	380, 306
Nashville	85, 600	616, 692	702, 292	----	----	349, 133	349, 133
Total for region IV	14, 767, 712	2, 712, 056	17, 479, 768	1, 301, 976	3, 692, 474	6, 698, 397	10, 390, 871
REGION V							
Illinois:							
Chicago	3, 797, 216	----	3, 797, 216	203, 728	----	3, 445, 980	3, 445, 980
Springfield	1, 328, 512	----	1, 328, 512	90, 736	145, 525	778, 705	934, 230
Indiana: Indianapolis	760, 128	611, 368	1, 371, 496	194, 312	1, 500, 736	102, 833	1, 603, 569
Michigan:							
Detroit	3, 354, 664	----	3, 354, 664	421, 152	2, 361, 856	----	2, 361, 856
Grand Rapids	181, 472	429, 973	611, 445	69, 336	----	706, 832	706, 832
Minnesota: Minneapolis	249, 096	424, 318	673, 914	154, 936	356, 652	686, 550	1, 043, 202
Ohio:							
Cincinnati	273, 920	273, 820	547, 740	120, 696	354, 561	488, 989	843, 550
Cleveland	582, 080	971, 794	1, 553, 874	116, 416	42, 192	1, 618, 263	1, 660, 455
Columbus	2, 063, 816	----	2, 063, 816	206, 296	627, 778	237, 216	864, 994
Wisconsin: Milwaukee	789, 232	618, 083	1, 407, 315	129, 256	145, 280	1, 087, 827	1, 233, 107
Total for region V	13, 380, 136	3, 329, 856	16, 709, 992	1, 706, 864	5, 534, 580	9, 153, 195	14, 687, 775
REGION VI							
Arkansas: Little Rock	316, 720	552, 280	869, 000	157, 504	206, 426	509, 424	715, 850
Louisiana:							
New Orleans	1, 259, 176	----	1, 259, 176	170, 344	----	1, 216, 945	1, 216, 945
Shreveport	749, 000	120, 000	869, 000	99, 296	----	572, 680	572, 680
New Mexico: Albuquerque	468, 232	5, 768	474, 000	65, 056	94, 473	263, 452	357, 925
Oklahoma:							
Oklahoma City	801, 216	----	801, 216	110, 424	188, 730	169, 195	357, 925
Tulsa	449, 400	24, 600	474, 000	59, 064	201, 649	299, 446	501, 095
Texas:							
Dallas	1, 552, 784	----	1, 552, 784	22, 256	101, 586	757, 434	859, 020
Fort Worth	691, 648	19, 352	711, 000	61, 632	28, 541	544, 139	572, 680
Houston	558, 112	----	558, 112	89, 024	255, 990	817, 785	1, 073, 775
Lubbock	415, 160	----	415, 160	53, 928	----	286, 340	286, 340
San Antonio	472, 512	395, 586	868, 098	180, 616	----	681, 992	681, 992
Total for region VI	7, 733, 960	1, 117, 586	8, 851, 546	1, 069, 144	1, 077, 395	6, 118, 832	7, 196, 227

Fiscal year 1972 distribution through Oct. 29, 1971	Sec. 235 proposed construction: August and September 1971 distribution—4 or less and priority registration	Sec. 235 proposed construction: Oct. 29, 1971 distribution	Sec. 235 proposed construction: Total distribution through Oct. 29, 1971 new construction	Existing construction distribution through Oct. 29, 1971	Sec. 236: August and September 1971 allocation—covered early feasibility	Sec. 236: Oct. 29, 1971 allocation	Sec. 236: Fiscal year 1972 total allocation through Oct. 29, 1971
REGION VII							
Iowa: Des Moines	$836, 312		$836, 312	$125, 832	$117, 729	$271, 464	$389, 193
Kansas:							
Kansas City	355, 240		355, 240	102, 720	219, 972	564, 687	784, 659
Topeka	112, 992	$386, 407	499, 399	118, 984	221, 289	282, 638	503, 927
Missouri: St. Louis	788, 376		788, 376	146, 376	323, 170	342, 675	665, 845
Nebraska: Omaha	612, 040		612, 040	103, 576	308, 754	29, 727	338, 481
Total for region VII	2, 704, 960	386, 407	3, 091, 367	597, 488	1, 190, 914	1, 491, 191	2, 682, 105
REGION VIII							
Colorado: Denver	422, 008	26, 414	448, 422	179, 760	647, 318	132, 917	780, 235
Montana: Helena	109, 568	52, 945	162, 513	39, 376		157, 279	157, 279
North Dakota: Fargo	178, 904		178, 904	20, 544	147, 900		147, 900
South Dakota: Sioux Falls	38, 520	36, 909	75, 429	28, 248	86, 307		86, 307
Utah: Salt Lake City	981, 832		981, 832	76, 184	54, 239	67, 581	121, 820
Wyoming: Casper	228, 552		228, 552	11, 984	117, 860		117, 860
Total for region VIII	1, 959, 384	116, 268	2, 075, 652	356, 096	1, 053, 624	357, 777	1, 411, 401

REGION IX							
Arizona: Phoenix	892, 808		892, 808	86, 456	450, 000	5, 685	455, 685
California:							
Los Angeles	690, 792	1, 741, 368	2, 432, 160	291, 040	1, 262, 923	1, 013, 337	2, 276, 260
Sacramento	182, 328	543, 149	725, 477	87, 312	223, 932	130, 007	353, 939
San Diego	323, 568	157, 697	481, 265	68, 480	477, 194		477, 194
San Francisco	1, 058, 872	1, 174, 037	2, 232, 909	191, 744	667, 676	1, 060, 796	1, 728, 472
Santa Ana	634, 296	437, 753	1, 072, 049	182, 328			
Hawaii: Honolulu	686, 512		686, 512	7, 704	113, 250	72, 375	185, 625
Nevada: Reno	535, 856		535, 856	49, 648	185, 000		185, 000
Total for region IX	5, 005, 032	4, 054, 004	9, 059, 036	964, 712	3, 379, 975	2, 282, 200	5, 662, 175
REGION X							
Alaska: Anchorage	52, 216	10, 290	62, 506	19, 698	147, 260	123, 580	270, 840
Idaho: Boise	513, 600		513, 600	62, 488		54, 361	54, 361
Oregon: Portland	1, 112, 800		1, 112, 800	76, 184	234, 888	445, 056	679, 944
Washington:							
Seattle	754, 992		754, 992	199, 448		386, 312	386, 312
Spokane	282, 480	86, 829	369, 309	154, 080	87, 000	206, 371	293, 371
Total for region X	2, 716, 088	97, 119	2, 813, 207	511, 888	469, 148	1, 215, 680	1, 684, 828
U.S. total	58, 863, 696	18, 487, 479	77, 351, 175	7, 550, 776	32, 810, 996	41, 730, 756	74, 541, 752

Mr. GULLEDGE. The last administrative look at it is being performed and may have already been completed by our regional offices. Our target date is to get 50 percent of the fiscal 1972 money out by October 25. That is 12 days from now.

Mr. FASCELL. If you can only meet 30 percent of the need in the particular year, for whatever reason—whether it's administrative or legislative decision—I wonder how you will meet the 10-year goal. If you do 30 percent in 1 year, that means you are going to have to add that 70 percent along the next 9 years, or add it all up in a single year. Isn't that going to create a serious backlog problem?

Mr. GULLEDGE. In theory, of course, a 10-year goal could be reached 10 percent a year. The fact is that once a house is built, that family is housed all right.

Mr. FASCELL. But you are still 70-percent short of the 10 percent. That is what I am getting at.

Mr. GULLEDGE. The 30 percent was merely to illustrate. The fact is, my staff tells me, that we are really running about 90 percent of what was expected to be achieved annually. We fully anticipate that the 6 million goal will be achieved, at the rate at which we are presently running in the fiscal 1972 budget.

Mr. FASCELL. The evaluation of 236 projects on the 11 criteria that were laid down in your statement on page 22, will be refined into eight criteria ultimately. Is my understanding of your testimony correct?

Mr. GULLEDGE. Essentially so.

Mr. FASCELL. In other words, you started out with 11 and now are reconstructing to eight major criteria?

Mr. GULLEDGE. That is right. We have combined some of them, obviously, and we have added something. We didn't have, for instance, environmental concepts. Nobody was even talking ecology in 1968. Today it's the word. So we have environmental and ecology factors in our criteria, which were not present in the 1968 criteria. We think we have sharpened them up and made them applicable.

More importantly, Mr. Fascell, I think we have provided a documentation of decisions. A great many of the decisions which were made at the local level, were made in conformance with these 11 criteria, but there wasn't a system of documenting why they did it this way.

Our eight criteria require a documentation as to why, rather than just what, they did. They have to say why they did it, based upon the criteria.

Mr. FASCELL. I would certainly commend you for that. I think that is vital. That whole issue of criteria has been raised about a 236 project in Miami, called Green Hills East. You are probably well familiar with it. Criteria determination is one of the big issues in that project.

Where is school impact consideration taken into account in these criteria?

Mr. GULLEDGE. We don't attempt to decide that. In fact, we don't think it's the proper HUD role to decide, in effect, whether or not a school district ought to provide schooling for children or at what levels. We go on the basic assumption that it is their responsibility to providing schooling.

Mr. FASCELL. I am sure that is true. But since there is no correlation between what an insurance office allocation might have with respect to a particular project, other than, let's say, meeting the standards of a county zone, there is no relationship between actions of the insuring office and that of the school board in satisfying the requirements of the criteria.

Mr. GULLEDGE. We have something added, Mr. Congressman, the A-95 proceeding which deals with regional planning. All of our significant sized projects have to be referred to whatever regional planning review group there is, under the A-95 proceeding, for their comment. We expect them to be able to pick up some indications. If they are doing regional planning, they ought to know what is happening to the schools and where the schools are going, and this sort of thing. We have that correlation. We do require as a matter of practice that all the significant projects are referred to them for comment.

Mr. FASCELL. You would agree, would you not, that it would be an important social consideration if you had a high impact on any particular school area as a result of an FHA project?

Mr. GULLEDGE. That is right.

Mr. FASCELL. If you try to meet the needs of the low or moderate income group and locate them into an area where there is inadequate schooling you are going to have an immediate social problem.

Mr. GULLEDGE. That is correct. Our first cut at these criteria called upon our field personnel to try to make an evaluation of the quality of the schools. You have superior or you have adequate. We found out these were too subjective. We did not want to approve projects in poor school conditions, but we also found that it's very subjective to try to report whether or not a school is adequate or superior. We had to delete this subjective judgment of the quality of the schooling.

Mr. FASCELL. I can understand why you had to do that.

Mr. GULLEDGE. But we are nevertheless concerned about the relationship to the schools. That is the reason why we do require these projects to be in conformance with any regional planning which is going on and refer it to the regional planning board, through A-95 procedure for their review. At the moment that is our best tool for coordination.

Mr. FASCELL. How about other considerations? I don't want to bind you on this if it fits a particular case, mine or somebody else's, because you will have to examine specifics in every case and I don't want to be unfair to you. Let's assume a 236 project such as Green Hills East in Miami has no bus service, no shopping center, that the schools are already crowded, that there are already other low cost projects close to the same area. I don't see how you could rate that as adequate or superior criteria, if I read your criteria correctly.

Mr. GULLEDGE. Under your hypothetical situation a project would never be approved if they are following instructions.

Mr. FASCELL. That is what I was afraid of. Accordingly I think under the circumstances that this petition I have in my file from 500 Green Hills East should be submitted to you so it can go along with the request that Senator Chiles and I have made to the Secretary.

Has our wire gotten down to your office yet?

Mr. GULLEDGE. It could be at my office, but not to me. I would be delighted to look it up and be responsive.

Mr. FASCELL. I would appreciate it. I will give you all the details. (The petition follows.)

CONCERNED CITIZENS OF GREEN HILLS,
September 10, 1971, Miami, Fla.

DEAR CONGRESSMAN FASCELL: We the undersigned homeowners of Green Hills Community wish to bring to your attention and to protest the project Green Hills East consisting of 16 two story buildings, housing 170 units of one, two and three bedroom apartments. This Federally-funded, insured and rent-subsidized FHA 236 project will join another similar project in our area, Winston Manor at 10945 S.W. 184th Street which consists of 100 units.

We feel that this is incompatible with our area of 589 homes which range in price from $25,000 to over $40,000. Not only this, but we have in the past few years paid increasingly higher amounts in the form of taxes and fees for services such as those paid to the Dade County Waste Division. Yet our police and fire protection are less than inadequate and our trash pick-up service is at times non-existent. Many of the residents of 180th Street will agree that the sewage facilities of Green Hills are also not up to par. Our area schools are overcrowded and inadequate, junior high and senior high schools are having to operate double shifts daily and we are now being asked to make room for 170 more non-tax paying families in this already over-burdened system. Our area does not have any bus service, there are no jobs available near-by and there is no shopping center in this area that these people could walk to. Therefore we wonder at the wisdom of building another low-rent project in this area.

Furthermore, when the builders and developers of Green Hills, Shores Development Inc. and Sky Lake Realty Inc. applied for a zoning change from agricultural to RU 3M (Minimum Apartment Houses 12.9 units per acre) for this area which originally consisted of 105 acres, their plan included private drives, club houses, pools, tennis courts and a five foot wall separating the development from the houses in Green Hills. After numerous turndowns, they were finally granted a zoning of RU 3M on the basis of these plans. Three weeks later, they sold 25 acres of this land to Kanko Development Corp. and in August of this year, Kanko began building their Federally-funded, non-tax paying project, without the club-houses, pools, tennis courts, wall, etc. The original plans would have consisted of mainly settled or retired tax-paying citizens who would have paid for the services they used. There would have been few young children to add to our overburdened school system. We do not believe that the present buildings are in strict compliance with the original plans which served as a basis for the zoning change and that all work should be stopped until an investigation of this matter can be made.

The people of Green Hills Community are responsible, hard-working, tax-paying voting citizens who are being asked to take on an additional burden which they cannot and will not accept. If there is a mass exodus from this area, we the home owners stand to suffer great loss, but you the politician also stand to lose our votes and our taxes when this area declines into a Federally-created slum. We ask your help and your support in seeing that this does not occur.

Mr. FASCELL. That leads to the next question.

What is the ultimate authority with respect to your office on a 236, once it's initiated and a determination is made, if it is made, that there is no compliance with the criteria, that some error has been made, either in judgment or in fact or otherwise? What is the ultimate authority of your office to discontinue a 236 project? Also, what is the authorization you give in the first instance?

Mr. GULLEDGE. The delegated responsibility for making all the determinations that are applicable to any given project are delegated down to the insuring office director or the area office director. He is supposed to make his findings in conformance with our regulations.

Mr. FASCELL. Assume he has done that and then some other facts come to light?

Mr. GULLEDGE. If he has done that and the project has progressed to the point where a firm commitment has been issued in conformance with all the regulations we had outstanding at the time, our position at that point is simply that we acted properly under the circumstances, we took the proper actions, and the recourse would be to go to the courts.

Mr. FASCELL. I see from published field office notices that there are several of these cases in court.

Mr. GULLEDGE. We recognize this. As a matter of fact, the so-called Shannon case up in Philadelphia has been pretty well-known, and Judge Duffy's and Judge Austin's decisions in the Gautreaux cases in Chicago, also.

Mr. FASCELL. There may be one in Philadelphia.

Mr. GULLEDGE. They are finding in both cases the Department acted in error.

Mr. FASCELL. What I am trying to find out is what is FHA's ultimate authority for terminating the continuing approval?

Mr. GULLEDGE. The authority is vested at the local level to continue to approve projects.

Mr. FASCELL. Can it be withdrawn?

Mr. GULLEDGE. The Secretary can withdraw it any time he wants to.

Mr. FASCELL. You ought to know that your regional director and local FHA insurance office both said they have no authority to do anything.

Mr. GULLEDGE. I don't know what authority they thought they were being asked about.

Mr. FASCELL. The authority about withdrawing continuing approval of a 236.

Mr. GULLEDGE. Are you speaking of continuing project approval, meaning to continue to approve new projects? They cannot cancel a commitment.

Mr. FASCELL. I am talking about the continuation of a particular project.

Mr. GULLEDGE. They cannot cancel a project once it's started.

Mr. FASCELL. What is the relationship of FHA to a 236 project?

Mr. GULLEDGE. FHA makes a commitment to the lender that if he advances this money and the project should ultimately go into foreclosure, that the lender would be reimbursed. We insure the lender. In addition, if it involves a subsidy, FHA makes a commitment to the sponsor in 236 that x dollars a month will be made available to apply against reducing the interest rate on the mortgage. There is a corollary responsibility on the part of the owner to collect the rent in accordance with the regulations, and if all the subsidy isn't needed he reimburses or refunds the difference, which ultimately goes back to the Treasury.

Mr. FASCELL. You have a double commitment, one to the lender and one to the developer.

Mr. GULLEDGE. Yes.

Mr. FASCELL. Is there any relationship, other than that between FHA and the sponsor? If the sponsor is a corporation, does FHA have any legal interest in it?

Mr. GULLEDGE. There is a very extensive relationship which is spelled out in what we call the regulatory agreement, which is an agreement entered into between the FHA and the sponsor setting out a number of things which that sponsor must do. They generally relate to the operation and maintenance of the project.

Mr. FASCELL. That is FHA oversight?

Mr. GULLEDGE. That is an oversight proposition.

Mr. FASCELL. Is that as far as the maintenance and operation of the 236 project is concerned?

Mr. GULLEDGE. Yes, maintenance and management of the multifamily project is established in a regulatory agreement which is entered into and is binding.

Mr. FASCELL. Are all corporate sponsors under 236? Or may they be individuals?

Mr. GULLEDGE. They can be individuals.

Mr. FASCELL. So there is no ownership relationship between FHA and a sponsor through any of the documents, the law or regulations?

Mr. GULLEDGE. Not that I know of in the sense you are using the term "ownership."

Mr. FASCELL. Such as shares of stock or preferred stock.

Mr. GULLEDGE. It used to be that the FHA Commissioner was a preferred stockholder, but that was done away with some years back. I don't know the story behind it. At the present time there is no ownership relationship.

Mr. FASCELL. I understand what you are telling me, where there may be some dispute or some question, either on the basis of a change in facts or misunderstanding or even an error, once the commitment is issued FHA takes the position that it's a legally binding document and FHA cannot unilaterally withdraw its commitment. Is that correct?

Mr. GULLEDGE. Unless fraud were involved.

Mr. FASCELL. Unless fraud is alleged and proven?

Mr. GULLEDGE. Yes, sir. It's a contract. Both parties enter into it. We have to do something. They have to do something. If fraud was evident or proved, we are not bound by the contract.

Mr. FASCELL. Mr. Secretary, what is the statutory limit on unit construction costs in a 235 project?

Mr. GULLEDGE. The mortgage amount?

Mr. FASCELL. What is that limit now under the statute?

Mr. GULLEDGE. It's $21,000 in a high-cost area for a three-bedroom unit and $24,000 for a four-bedroom unit. It's a $18,000 in non-high-cost areas. We allow a $3,000 upgrade for high-cost areas.

Mr. FASCELL. What is the determination of a high-cost area?

Mr. GULLEDGE. It depends on total cost of construction.

Mr. FASCELL. Is that arrived at at the central office?

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. I forgot what your testimony was on that.

Mr. GULLEDGE. The computations are made locally according to a prototype which is supplied by the central office.

Mr. FASCELL. In other words, the central office supplies the prototype and it goes down to the local office?

Mr. GULLEDGE. That is right. They cost it out and document that.

Mr. FASCELL. Then the recommendation comes back for high-rent designation and is either approved or disapproved at the central office?

Mr. GULLEDGE. Yes.

Mr. FASCELL. As far as the designation?

Mr. GULLEDGE. The designation of high cost is reviewed and approved at the central office.

Mr. FASCELL. Within an insuring office—again I am using Coral Gables because I am familiar with it—is it possible you could have high-cost and low-cost areas within a district?

Mr. GULLEDGE. Surely.

Mr. FASCELL. That is up to the district director of the insurance office to make those different designations and submit them to the central office, where they are approved?

Mr. GULLEDGE. The high-cost designations for other localities are determined by the insuring office in relation to applying cost indexes for those localities to the approved cost estimate for the insuring office city.

Mr. FASCELL. What legal control do you have, Mr. Secretary, with respect to the quality, standards, and compliance on 235 projects?

Mr. GULLEDGE. First of all, of course, you have minimum property standards which go into the question of quality and acceptable workmanship, and so forth.

Mr. FASCELL. I meant complying with plans and specifications.

Mr. GULLEDGE. Plans and specifications are reviewed. Specifications must be submitted on our form of specifications, and the plans have to be prepared in conformity with our form of planned preparations. They are reviewed by the Office, and their conformance with our minimum property standards is gone over; and if the plans or specifications do not conform, they are required to conform. If they do conform, they are approved as submitted.

Mr. FASCELL. Are you having any problems across the country with low-quality or defective housing being built under 235 commitments?

Mr. GULLEDGE. Occasionally, but very, very isolated. We did have a great problem in St. Louis, for instance. We had a problem out in the Seattle, Wash., area.

Mr. FASCELL. Was that several hundred units in each case?

Mr. GULLEDGE. No, sir. I think the St. Louis case involved 35 or 40 and a reasonably small number in the Seattle area. We occasionally find a builder who does get a jump on the office and puts up some units which are not of a quality which the office would approve. When this is called to our attention, we have the authority to turn it down. The construction will not be approved, and the final insurance will not be issued, until the structures are brought to our standards.

Mr. FASCELL. I have a more difficult case, Mr. Secretary. I have a case where the house is all built and won't meet anybody's standards—anybody's, much less FHA's.

Mr. GULLEDGE. I presume when you say built, you mean built and insured?

Mr. FASCELL. Yes, sir; final closing and people took possession and tried to live in the house.

Mr. GULLEDGE. That becomes a matter of judgment as to whether or not the structures do indeed meet the quality standards——

Mr. FASCELL. What happens then? We are talking about oversight and compliance on a very important program designed to meet low and moderate income needs.

Mr. GULLEDGE. It depends. Section 518 (b) of the Housing Act of 1970, which was signed on December 31, 1970, gave us the authority for correcting serious structural defects in existing construction cases insured under 235 where there has been a fault disclosed in existing construction which reasonably could be expected to be disclosed. We had 518 (a) that covered new construction, where there has been an oversight on the part of an appraiser or inspector dealing with the structure—the major structural elements, elements which affect not appearance, not cosmetic, but which affect structural safety, mechanical ability, integrity of the roof, the foundation, the plumbing, heating, and wiring.

Mr. FASCELL. You have hit my case exactly on the head.

Mr. GULLEDGE. Where that is defective and where it would have been apparent to someone skilled in the art who was doing the inspecting, but he didn't see it or for some other purpose did not take action on it, then the Secretary is authorized to make corrective repairs at the Secretary's expense.

Mr. FASCELL. Is that a delegated authority?

Mr. GULLEDGE. Surely.

Mr. FASCELL. Can the insurance office director do it on his own authority?

Mr. GULLEDGE. Yes. He is delegated that responsibility to take action.

Mr. FASCELL. Supposing it's within the 1-year guarantee and the builder won't act?

Mr. GULLEDGE. The Secretary has the authority to act instead.

Mr. FASCELL. Are there appropriated funds for that?

Mr. GULLEDGE. They are not appropriated. They are authorized to be paid out of the reserves of the FHA.

Mr. FASCELL. Mr. Chairman, I want to take time to put into the record a specific case illustrating points in the colloquy just held. It's typical of this whole issue. Congressman Ben Blackburn, of Georgia, brought this case to my attention, and I am grateful to him. This is the case of Mr. and Mrs. Cullen.

The letter says:

> We purchased the house as provided under title 235. The builders are Tropic, Modular Erectors, Inc. We have an all-state modular home, and we were to have wall-to-wall carpet, a fully sodded yard, the choice of front and siding on the house. We don't have the carpet nor the front siding or choice, and we have a half-sodded yard.
>
> In addition, our house is unfit for human occupation. The water system in the house yields polluted water. We have had the water tested by the State of Florida Department of Health and Rehabilitative Services, Bureau of Laboratory, as of July 28, 1971. The only water fit for human consumption comes from an outside spigot.

They go on to give the details on the coliform rating in the water that is polluted.

> It was flushed out with chlorine and it is still unsafe.

There is a whole paragraph on how both the mother and the children have had to have medical treatment as a result of using the polluted water.

> The outside of the house is covered with tricoplex, which is no longer acceptable by FHA because it doesn't last. The condition is not being corrected, as the director at the local office said it would. The house looks as if it had been lived in at least 8 years, and it hasn't been painted. The siding on the house is cracking and coming apart at the seams, and the foundation is cracking. The house leaks, and the floors are so soaked they make a noise like wet tennis shoes, and

several household items have been ruined. This is a brandnew house, insured for the full amount, $21,000.

The ceiling has moisture spots over it and is buckling about the sides and coming down from the middle.

The writers of this letter, Sam and Donna Cullen of 16810 S.W. 300 Street, own this home. They are still bound under the mortgage. They have had to move out. They can't get repairs. They still have to pay, whatever it is, $91 of $178 mortgage payment, and the Government is responsible for the rest of it. When this lady complained, she was told:

Well, it's a Government house. What are you fussing about? You are getting it for practically nothing.

Then when the Cullens advised the FHA that they would like to deed the property back to FHA, an employee of FHA allegedly said, "You try that and we will ruin your credit for life." That is on the record of the hearings of the Housing Subcommittee, and the man's name is available.

Mr. Secretary, it's one thing to have allocations and it's another thing to have oversight and compliance if we are going to have a successful program. The Cullens need help and that's why I'm calling their case to your attention.

I am afraid that what has happened, unfortunately, with all FHA is that because it primarily insures the lender it has taken an arm's-length attitude with respect to the homeowner and requires him to resolve any disputes with the builder concerned.

The truth of the matter is that it is extremely difficult, as you well know. Noncomplying builders are blacklisted. However, if corporation Y goes out of business after it finishes a project and then starts up as corporation Z and gets another commitment someplace else to do the same thing all over again, all enforcement is defeated.

Mr. Gulledge. That is not true, Mr. Fascell. At some point I would like to comment on what you have said.

Mr. Fascell. I am just giving you the feeling of a great many citizens who are frustrated in trying to get compliance and quality, even though it may be low income and moderate income. It is this position that FHA finds itself in today, both on 235's and 236's. I am going to find an answer to this, Mr. Chairman——

Mr. Gulledge. I think we have the answer if you will give me a chance to put it in the record.

Mr. Fascell. All right.

Mr. Gulledge. First of all, let's take corporations A, B, C. We don't list corporations by themselves. We go behind to the sponsors of corporations to everyone who has a 10 percent or more interest—of course you could have a corporation in which nobody has a 10 percent interest—but that means, if you have 11 or more people in it, they don't have to identify themselves. We currently identify anybody with 10 percent or more interest.

If there is any unsatisfactory performance on his part, that is noted. We don't use the term "blacklisted", but it's noted and he simply is not approved to participate further until some corrective action is taken to remedy beforehand whatever was the problem. So there is no corporate dodge that we tolerate.

The only possible thing could be simply fraud on the part of somebody submitting an application in which they fraudulently identified their interest. Then, of course, we have the FBI who can handle that.

Secondly, our position is not one, in connection with a 235 homeowner, to say, "Tough luck, old buddy, you bought that and it's yours."

We have had cases where we have allowed, as the only alternative, the property to be deeded back without prejudice and without jeopardizing the person's credit record so far as we are concerned on that item. We have approved these same people to go and buy another house, which they find and are satisfied with. We approve it. We let them buy that with no problem.

I would suggest to you that with some 7,000 or 8,000 employees we may have some who take the callous attitude that you indicated.

Mr. FASCELL. I was very careful to say that was an allegation. I don't know if it's true.

Mr. GULLEDGE. That is not the Department's position. It's not the way we want to act and not the way we have acted when the facts have been brought to our attention.

Mr. FASCELL. Mr. Secretary, my colleagues have been very courteous in allowing me to pursue this matter, and so have you. I call the Cullen case and the Palmland Homes to your attention specifically because it may involve the whole project. If that is true, we have a real bad problem.

Mr. GULLEDGE. We are handling over a million applications a year. We are endorsing with mortgage insurance about 500,000 of them, about 50 percent. There are going to be some mistakes made. We would love to correct them when we find out about them.

Mr. FASCELL. Thank you, Mr. Secretary.

Mr. MONAGAN. Mr. Thone?

Mr. THONE. Thank you, Mr. Chairman. Mr. Gulledge, first I would like to formally thank you for the courtesy with which your office handles requests from my office. As you know, we have had some Indian housing problems in Nebraska, and you have been most courteous and effective in resolving those problems. We appreciate it.

Mr. GULLEDGE. Thank you. We have inherited quite a few problems we are trying to clean up.

Mr. THONE. As I understand it, Mr. Secretary—and I use the Chairman's words—your request asked here to explain the Department's policy on the national allocation of new commitments and subsidized housing contract authority.

However, in the gentleman's opening statement he said:

> Serious questions have been raised as to it continuing efficiency in the nonsubsidized area. Departmental reorganization, with its emphasis on decentralization, including the establishment of new area offices, has possibly contributed to the apparent loss of efficiency which is a growing concern of this subcommittee.

What is your response to that?

Mr. GULLEDGE. I am very glad that somebody besides me is worrying about it. We have had a loss of efficiency, not as great as has been inferred and not as great as the isolated data submitted back in June to this committee would appear.

It's not because of the reorganization, except peripherally. Our loss of efficiency stems from a series of circumstances starting with the fact that the President, when he submitted the 1970 fiscal budget to the Congress in April of 1969, had an agreement with the Congress which OMB subsequently endorsed which put a ceiling on outlays. Commensurate with that, the President made the commitment that he was going to attempt to reduce Federal payrolls.

We operated for all of fiscal 1970 on the basis that for every four people who left we could only hire three. That gave us a 25 percent reduction. Therefore, as we entered calendar year 1970, which was the last half of fiscal 1970, we were operating with fewer and fewer people, the further we got into calendar 1970. Halfway through calendar 1970 we were able to start using fiscal 1971 funds. The fiscal 1971 continuing resolution gave us the authority to operate at the same level we had been operating in fiscal 1970.

The appropriations for fiscal 1971 were not signed until December of 1970. We were all the way through that calendar year of 1970 without any more people than we had the year before. The net result is that we entered calendar 1971 at a depressed level of field capability for handling business.

Two situations were developing on the mortgage market side. The price of money was very high in the fall of 1970—8½ percent. It had declined between late fall of 1970 and early 1971. In about 90 days time, the Secretary was able to reduce the maximum interest rate from 8½ percent down to 7 percent. With the last drop, which occurred in the last week of February 1971, we are now 2 months into calendar 1971, down to 7 percent, that led us into this spot with the spring building season with an interest rate that suddenly dropped and applications for insurance came out like the leaves in the spring.

Our offices were deluged with applications. Our offices were not staffed to handle a deluge of applications.

Finally, when the fiscal 1971 authorization was passed by the Congress, signed by the President, apportioned out to us, we were in calendar 1971 before we had the authority to start hiring any more people. We simply have not been able, and were not able at that time, to keep up with the demand. We were receiving a tremendous deluge of new business and the authority came along slowly to hire new people. Hiring people doesn't mean they know how to perform. We were unable to keep up with that demand.

As a consequence, a former record of being able to render 95 percent to 100 percent of all applications approved in five days time fell by the boards. Data submitted to you in June showed we were falling way behind. The updated data which the chairman asked for shows that to be greatly improved. It's not where it needs to be yet, but it's a lot better off than it was.

Frankly, we are faced now with a freeze on hiring any more people. We will have to expect that whenever you don't have enough people to handle the business that the business you handle will fall further and further behind. We are not shutting off applications coming in, but we only have a limited capacity to handle them.

It's not due to the reorganization. It's due to the other circumstances that I indicated to you. Reorganization has not helped to improve it at this stage. We do think that after the people who are brought on board under reorganization learn their responsibilities that they can improve then.

Mr. BROWN. Will the gentleman yield?

Mr. THONE. Surely.

Mr. BROWN. Isn't there another factor to be considered also? That is that during this period of time, because of the problems you were experiencing with the 235 program, you had to reestablish and reinvoke many of the certification programs that had been dropped in the period of 1968 on?

Mr. GULLEDGE. A great deal of the looseness had been generated in 1967 and 1968, which we feel was contributory to the attitude in the offices evidenced by the 235 problems, we had to correct and reinstitute tighter proceedings which then required the staff to go back and do more than they needed to do.

Mr. BROWN. So the workload on a diminished staff would increase?

Mr. GULLEDGE. Yes, sir. I would have to say I don't think there was any way we could avoid it, but we can't have a national full-style investigation of a program without taking many thousands of man-hours to do it. The Secretary did a national, thorough, top-to-bottom investigation in every office of 235 and 236 programs and other programs. It has taken thousands and thousands of man-hours. That is necessary work, but it doesn't let you produce.

Mr. BROWN. If the gentleman will yield just a second further. The reinvoking, or the reestablishment of the seniority financial programs should help to eliminate the problem which the gentleman from Florida is talking about.

Mr. GULLEDGE. It will go a long ways. I mentioned previously the hurricane that went in Corpus Christi. We had 61,000 man-hours put on that hurricane and it was a problem. That 61,000 hours is an awful lot taken out of processing applications.

Mr. BROWN. Thank you very much.

Mrs. THONE. One final observation, Mr. Secretary. The night before last I spoke before the Lincoln, Nebr., Home Builders Association. As I understand it, the new starts are at an alltime high. In calendar 1971 we will have more than 2 million new starts. Is this correct?

Mr. GULLEDGE. The starts for August, which is the latest data available—September's starts will be out about the 16th of October—are 2,228,000, an alltime high in the history of this country. It is anticipated we will be having about 2 million starts this year. We are confident. We are predicting close to that amount, which will also be an alltime high.

Mr. THONE. That is all, Mr. Secretary.

Mr. MONAGAN. What is the national goal of starts that has been set in legislation?

Mr. GULLEDGE. In subsidized starts?

Mr. MONAGAN. No, I mean the overall objective.

Mr. GULLEDGE. The 10-year housing goal is 26 million units and the goal's decade is from 1969 through 1978.

Mr. MONAGAN. It would average 2.6 million?

Mr. GULLEDGE. Yes.

Mr. MONAGAN. Thank you.

Mr. GULLEDGE. We are computing about 4 million mobile homes in that and those mobile homes are not included in the starts figures we were just discussing. When you add the mobile homes to it, it's going to run between 2.4 and 2.5 million for this year.

Mr. MONAGAN. Incidentally, the answers to Mr. Thone's questions, at least as of June, are contained in the response that you made to the subcommittee that is printed on page 37 of the hearings which have just been published.

Mr. GULLEDGE. I have only one little quarrel with the way the documentation is submitted to you, Mr. Chairman.

We have kept records on cases processed in 5 days or less and the percentage of them. Whenever you find that your percentage has slipped from 99 to 60—or down to four, I think, on one of those—it looks terrible. That doesn't really tell you whether we are getting them out in 8 days instead of 5 or taking 6 weeks instead of 5 days. It doesn't tell you that, and we don't have that information. But use that much caution with the numbers.

Mr. MONAGAN. Mr. St Germain?

Mr. ST GERMAIN. Thank you.

When the housing goal was set, it didn't contemplate including mobile homes as part of the goal, did it?

Mr. GULLEDGE. I didn't include them, either, Mr. St Germain. But the Department has since the second report included them.

Mr. ST GERMAIN. Mr. Secretary, on page 5 in your testimony you refer to the fact that there are Project Rehab, Operation Breakthrough and projects for priority for occupancy by military households. Some of them are moderate portions set aside to carry out specific central office programs.

Mr. GULLEDGE. Yes.

Mr. ST GERMAIN. Could you submit for the record what the actual portions are and also where the military housing has been built to date under the 235 and 236 programs?

Mr. GULLEDGE. I presume you mean approved to be built.

Mr. ST GERMAIN. Yes, and are being built.

Mr. GULLEDGE. I would be glad to.

(The information requested follows:)

Section 236 project allocation for military priority occupancy, and 1972 central office program set-asides:

From the fiscal year 1971 contract authorization under section 236, allocations have been made for projects with 4,358 units on which priorities for military occupancy are to be maintained by project sponsors. The localities, military establishments, and numbers of units involved in these approvals are as follows:

Project location	Establishment	Dwelling units
Odenton, Md	Fort Meade	300
Anchorage, Alaska	Elmendorf AFB	200
Jacksonville, Fla	NAS Jacksonville	352
Las Vegas, Nev	Nellis AFB	300
Norfolk, Va	NC Norfolk	400
Colorado Springs, Colo	Fort Carson	400
Biloxi, Miss	Keesler AFB	400
Davisville, R.I	NC Quonset Point	156
San Diego, Calif	NC San Diego	350
Pensacola, Fla	NC Pensacola	200
Oahu, Hawaii	(N-300, AF-200, A-200)	700
Tucson, Ariz	Davis-Monthan AFB	200
Redbank, N.J	Fort Monmouth	200
Sumter, S.C	Shaw AFB	200

From the 1972 fiscal year contract authorizations, program set-asides have been established as follows, but allocations to individual localities and projects have not been made:

Program	Sec. 235	Sec. 236
Project Rehab	$17,000,000	$10,000,00
Operation Breakthrough	900,000	18,500,00
Military priority		3,800,00

Mr. St Germain. On the first set of criteria, there is an inclusion of model cities and urban renewal areas as a preference. As a matter of fact, some of the offices seem to think that if an application is for 236 within a model city or urban renewal area it should receive an automatic approval. Do you agree with this?

Mr. Gulledge. No, sir. As a matter of fact, our project selection criteria have modified that former concept somewhat to say that if it's in a model city or urban renewal area it has to meet other criteria tests as well.

Mr. St Germain. What I am asking is if it meets the other criteria tests and there are three other applications pending that also meet the other criteria tests, and one is within model cities or urban renewal and the others are not, should that be the factor that tips the scale?

Mr. Gulledge. No, sir.

Mr. St Germain. Because it has now been removed, has it not?

Mr. Gulledge. It has been removed that it gets an automatic top rating. That factor, along with all the other factors, receives individual ratings and under your illustrative case any one of the other three could be funded ahead of the model cities project.

Mr. St Germain. Once you get it down to the regional office, then allocations of the 235 and 236 programs are made to the 10 regional offices. It really goes right on down. The regional office in this particular case serves as a conduit to transmit it on down to the local office. This is really the field office allocation.

Mr. Gulledge. Correct.

Mr. St Germain. Once you get it down to the regional office, then how is the allocation or the division made? For instance, within a given region you might have 12 major areas.

Mr. Gulledge. Are you saying region, meaning a local office?

Mr. St Germain. A regional office. I am not talking about an area office or an insuring office.

Mr. Gulledge. The regional office does not make an independent suballocation to its area or insuring office of these funds. These funds are transmitted to the regional office with the previously agreed upon distribution of these funds.

Pick a regional office. Let's don't go into yours. Let's go to Atlanta, Mr. Fascell's. The Atlanta region has eight States. It has perhaps as many as 12 or 14 offices. The suballocation below the regional level to those offices is previously agreed and based upon all the criteria Mr. Thornton has mentioned and documented previously.

The only regional input is the one which comes from examination of peculiar local conditions which they may be aware of that do not show up in the data, such as an extraordinary growth pattern or slowdown pattern because of unemployment, or something of this sort. The region really doesn't have the predominant voice in deciding how much money is going down there. Frankly, that is simply a matter of arithmetic. We do very little modification of what the arithmetic turns out.

Mr. ST GERMAIN. Essentially what you are saying is that once the allocation is established in the central office for the regional office, it is also established for the area and/or insuring office?

Mr. GULLEDGE. As a matter of fact, we determined the percentages for the area or insuring offices, the regional amount is the sum total of those. We start at the bottom and come up.

Mr. ST GERMAIN. With respect to the problems of various builders, is there any question on the application form that asks:

> Have you or your associates within your firm participated in any FHA programs prior to this date under this or any other firm name? If so, when, where and under which name?

Mr. GULLEDGE. On all of our multifamily, yes. On single family, no.

Mr. ST GERMAIN. As you know, the problems that have developed seem to have developed for the great part with the single family. Wouldn't it be advisable therefore to incorporate the same question in the form that the builder fills out for FHA?

Mr. GULLEDGE. We have another approach. You asked does the application have this. We have another approach. Let's take Mr. Fascell's case. Let's assume that you do have a builder there who has done a poor job. The office which has jurisdiction, in that case the Coral Gables office, would place that particular builder on what we called our URD list, our undesirable risk determination list. All the other offices are notified and the central office is notified that this man is on our URD list. But it doesn't originate as a consequence of an application question, which is the way you asked it.

We do have a record of those builders or architects, consultants, lawyers, appraisers, lenders and realtors, we have a list of all the people with whom we have determined that it's not in the best interest of the Government for us to do business.

Mr. FASCELL. And the Congress?

Mr. GULLEDGE. No Congressmen are on the list.

Mr. ST GERMAIN. It's like the clerk of the store who is given a list of counterfeit bills to watch for—the numbers and what have you. It's a little difficult at times and they miss some because they might be busy.

A lot of FHA people are overworked. Wouldn't it be a little insurance to add that question? I realize that under 235 the applicant is ordinarily the buyer, who then goes out and seeks a home that he or she wishes to purchase.

Mr. GULLEDGE. It is not quite that way, Mr. St Germain.

Mr. ST GERMAIN. If I am incorrect—I will put it this way. It actually happens both ways. There are some builders who are allocated "X" number of units and in other instances you have a builder who might build 1, 2 or 3 houses a year. Is that correct?

Mr. GULLEDGE. That is correct. It is what is called over the counter. About a fourth of our funds on 235 contract authority are expended in that type of over-the-counter transaction. About three-fourths of them wind up in some type of allocation to a builder who in effect builds and seeks a customer. The over-the-counter case may come as a consequence of either the builder's initiative or the initiative of the owner.

Mr. ST GERMAIN. We found one thing in previous hearings you will recall in the authorizing committee, and that was that 235 and 236 came along and it was just added on as an addition for your FHA people. As time has gone on we have just piled one program after another onto their responsibilities. The thing that bothers me is we want to reduce the Federal payroll, by the same token do we not want to create that much unemployment and yet you are actually going to insist on following through the certification process.

Incidentally, the house Mr. Fascell is talking about is not affected by the new certification program, and they are going into it more thoroughly because it is 3 months old. Anyway if we are going to insist on, and we should insist on proper inspection—we have been through this in the other committee—isn't there going to be a slow down in approval of applications and certification? It is an inevitable consequence is it not?

Mr. GULLEDGE. Without question we will be able to do less business with a smaller number of people. There is no question about it, because it is our full intention to do whatever business we do, to do it right. What we call quality processing.

Mr. ST GERMAIN. As a competent builder yourself, I am sure you preached this theory as have some of our mutual friends in Rhode Island to me, that while the auto industry comes first in creating employment, the housing industry is important in generating employment because you have all of the suppliers, the plumbing fixtures, the electrical work and everything that goes into a house. So that if we keep a high level of housing starts going, we are generating employment.

Once again I question the wisdom of a drastic reduction, particularly in FHA personnel where this might mean slow down in certification and therefore a slow down in housing starts. I don't really want you to comment on that.

Mr. GULLEDGE. I would like to add something to it for the record's sake.

The Secretary is proposing to increase field employment by 400. There may be a departmental reduction but he is doing it not at the expense of people who are actually handling cases and inspecting and appraising and processing but at the expense of whatever fat there might be in central and regional office staffs.

Mr. ST GERMAIN. Mr. Secretary, Mr. Fascell mentioned a type of outside siding that is no doubt a trade name—Tricoplex. With respect to items such as this, doesn't FHA require either a letter of approval or approval number of some type for it?

Mr. GULLEDGE. We have what we call an engineering technical bulletin which is issued on any new product with which there hasn't been experience—of course we don't issue it on bricks, they have been around for 6,000 years. But any new product that comes on the market a manufacturer has to submit to us in order to receive our approval. All systems have failings.

I never heard of that particular brand name or know what the product consists of. It is perfectly possible someone slipped up there and a product went on which had not had that engineering bulletin issued on it.

Mr. St Germain. It could be a question of whether it was properly applied.

Mr. Gulledge. Sure, because all product approvals are conditioned upon following the manufacturer's instructions for application, which is a procedure that would have been used in the lab examination of the product in the beginning. Faulty workmanship sometimes takes a good material and renders it useless.

We are certainly going to check into that and see what the problem is there. Once again, this not being a perfect world, even with lab tests, you sometimes find out when you get the products out yonder they don't pan out as you thought.

Mr. St Germain. I tell you your people are really demanding on testing.

Mr. Gulledge. They do a pretty thorough job. There are very few times when a product fails, but I submit to you that when an engine falls off a C–5 out on the taxi line, something went wrong. Some test somewhere didn't finally hold up in use. That can happen too.

Of course we have resources to be able to correct that type of situation. We can put it into our 233 experimental program. We can pay for it that way. There are various ways in which we can keep the public from being taken by our own ineptness.

I greatly appreciate the flexibility the Congress has given us administratively to be able to do that because a couple of years ago we couldn't.

Mr. St Germain. I would like to clear this up. In a 236 actually the subsidy doesn't go to the developer, does it, it goes to the tenant so to speak? Say you have 150 units in a complex.

Mr. Gulledge. The ultimate beneficiary is the tenant obviously.

Mr. St Germain. Let me understand this. This is important to us who created this program. Are you telling me if a complex has 150 units and 120 are occupied, that the developer is being subsidized for the 150?

Mr. Gulledge. The form of a subsidy is reduction of the mortgage amount from the present 7 percent maximum allowable down to 1 percent. That difference computed on a monthly basis is supplied as a check to the mortgagee.

Mr. St Germain. But when it is computed, it is computed on the basis of full occupancy?

Mr. Gulledge. It is computed on the basis of full occupancy obviously because that is the way the mortgage is written. But it is an interest reduction applied to the mortgage and the check goes to the mortgagee, the tenant gets the benefit of it by a lower rent which is established.

Mr. St Germain. What I am trying to get at is the fact that the Government does not suffer as a result of low occupancy or less than full occupancy.

Mr. Gulledge. The Government will suffer because we are insuring this project that it will be functional, that it will do the job, that it eventually pays the lender back. If low occupancy—and we are computing 95 percent occupancy as break even on 236's—if occupancy falls below 95 and stays for an extended period of time, that project will probably go into default and we will have it back on our hands. It will be a project which will have a mortgage assigned to the Secretary and eventually could go into foreclosure. To that extent the Government, of course, calls upon the reserves of the FHA to make good the loss.

Mr. St Germain. But the success as far as the developer is concerned is motivation for him to seek full occupancy, to do everything possible?

Mr. Gulledge. He gains nothing if he doesn't. He has lost a couple of years of effort and everything else that went into it if it isn't successful. So he has that motivation.

Mr. St Germain. He has a tax benefit?

Mr. Gulledge. Only as long as he holds it. When he gives it back to us he loses that.

Mr. St Germain. The regional office concept I think we will get into a little further, but wouldn't you agree that the success of regionalization is very closely affected by the competency of the personnel administering the regional and area offices?

Mr. Gulledge. Not only the competency but a clear understanding of what they are supposed to be doing, and make sure they know how to do what they are supposed to be doing. There are pretty competent people that can have a lack of direction. We have found because this is new, because this is a different role, there has been some difficulty in trying to get clear the relationship—the understanding of what the regional office is supposed to be doing—and get the proper blend of skills into that office so it can do its job as envisioned in the written material.

The Secretary has had two meetings recently with all regional personnel involved in these types of positions. One was held in Bethesda, Md., August 13 and 14, followed by Kansas City for the western regions, August 16 and 17. That was one of the principal topics of discussion there, and instructions concerning relationships which exist between the regional office and the central office and between the regional office and the field office. We know we have got a better job to do than we have done of seeing that the regional office personnel are thoroughly trained to do their job and understand how to do it.

The concept of what the regional office is supposed to be doing is one which is principally related to auditing. They are not policymaking, and they don't approve projects. So they are not on the firing line for approving projects, and they don't develop policy. So what do they do? They see that the policies developed in Washington are properly implemented at the end of the line. It is a subdivision then of the central office into 10 regional offices, giving them supervisory responsibilities and auditing responsibilities. Some of them didn't realize that is really what they are out there for and are doing some other things instead, and we hope we are straightening that out.

Mr. St Germain. How long is this going to be new, Mr. Secretary? A year ago I asked this question and it was new.

Mr. Gulledge. Of course, it was beginning a year ago. I would say it will be new until about a year from now, because three of the regions, the Philadelphia, Chicago, and Atlanta regions, which incidentally take up a very significant part of our total housing production, were just reconstituted as of September 30, which is 11 or 12 days ago now, as regional offices functioning this way. It is going to take them about a year to find out how to operate.

The seven other regions, we think, are pretty much in shape now to run the way they should.

Mr. St Germain. I am sure you are looking closely at this because there may be a day in the future where you will be back in the construction business, and you will want some real efficient regional offices.

Mr. Gulledge. I have a lot of motivation, Mr. St Germain. I want to make it work right.

Mr. Monagan. Not within a year anyhow.

Mr. Collins.

Mr. Collins. Thank you, Mr. Chairman.

Mr. Secretary, I would like to call your attention to the first page of your presentation where you state that other tools are section 115 and section 312 for assistance for financing residential rehabilitation. I would like for you to give me your administration's intent for sections 115 and 312 as it relates to loans and grants.

Mr. Gulledge. Mr. Collins, I mentioned those but I don't administer those programs. Mr. Norman Watson, Assistant Secretary for Housing Management administers those programs. We had an internal shift. I have to have a score card to keep up with the players too.

Assistant Secretary Floyd Hyde now has that. Mr. Watson did have it but a few months ago it was transferred to Hyde, Assistant Secretary for Community Development. I will be glad to take whatever questions you have and submit the answers to you back for the record. I think it would be more appropriate if the man responsible for the program would be supplying the answers to you.

Mr. Collins. Does FHA play a part in the processing and approval of the loans and grants?

Mr. Gulledge. No, sir. Those are not insured, they are loans and/or grants. We could process, they tell me, the 312 but not necessarily so.

Mr. Collins. Part of the procedure in Chicago is FHA does approve in the processing of the grants and loans. Seeing that Mr. Floyd Hyde isn't here, perhaps this could be of some help to the citizens of the city of Chicago in pointing out some of the inadequacy about 312 and 115 programs.

First, I would like for you to recommend to Mr. Hyde a study be made, a review, as to the feasibility of a homeowner receiving a grant or a loan in the Lawndale area of the city of Chicago. We find in this particular area because of low income families buying homes in such a peculiar way, of contract buying, with their low downpayment they don't qualify for a grant or a loan under present guidelines.

So I would assume that the 235 and 236 are being implemented, that the resident homeowners would be given assistance through these programs, but being that they are not qualified for the grants and loans the communities are deteriorating.

Mr. Gulledge. I would be very happy to see that Mr. Hyde is aware of that request and I am sure he can submit for the record an evaluation of that particular area along with an explanation of the philosophy behind the program which you first asked for.

Mr. Collins. And what changes could be made tailored to fit the need of the low income community. This would be vitally important.

Mr. GULLEDGE. I am sure he could be able to make suggestions to you. As to whether or not he feels we have administrative flexibility to make changes or whether statutory changes have to be made first, he can be responsive to that question also.

Mr. COLLINS. I was reading an article in Business Week Magazine, October 2 issue. There was a report there of a barrage of criticism from the home builders and civil rights group over proposed guidelines for subsidized housing. The question is whether subsidized housing will be built in ghetto areas or sprinkled out into the suburbs, and the civil rights leaders are accusing HUD of copping out by not issuing direct guidelines from Washington to the regional offices and area offices.

Could you give me the benefit of your knowledge?

Mr. GULLEDGE. I did not read the Business Week article. I assume they were talking in terms of the criticism which arose as a consequence of the first publication of the Project Selection Criteria which took place in July. A public comment period of 30 days was allowed. We got lots of comment. We have had some 70-odd different organizations who commented. Many of them are civil rights organizations.

As a result of those comments, our revised Project Selection Criteria were put in the Federal Register for comment October 2 or 3, last Saturday, and therefore November 2 or 3 will be when the 30-day period will run out on the comments.

Those revised Project Selection Criteria I think walk a tight rope between the question of whether or not you are going to take a limited amount of subsidy dollars in any particular year and are going to put more of it in the suburbs or more in the central city. We have civil rights advocates, all well intentioned, who differ. Some think we should put more in one and some more in the other.

The original criteria tended to discriminate against any central city, threw it all to the suburbs by greater weight of criteria. The present criteria do make it possible to build some housing in central city provided we are not overly impacting any particular area.

I refer to this as a tight rope. It is a tight rope not only because of a difference of opinion between the significant speakers but the courts are taking a hard look at the problem. I have my own personal concerns as an administrator as to whether or not the courts will so box us in with their decisions we will not be able to provide housing in most of the central city areas.

I admit I find a lot of personal questions raised by Judge Austin's decision in the Gautreaux case on appeal in Chicago a few weeks ago in which he held the Secretary of HUD was accountable for making certain when you funded a project you were not adding to any racial discrimination. As a consequence it has been said, ipso facto, if the housing is being created in an already racially impacted area to add more housing there is on the face of it racially discriminatory. I submit to you, how are you going into a Harlem or South Chicago and provide more housing under that type of guideline? I think the Congress may have to step in and modify the law somewhat if we are going to get any housing there.

Our general counsel has not told me yet we can't approve housing there, but I am trying to look ahead a little and I see grave problems. We try to address ourselves to these problems in the best way we know how in the revised Project Selection Criteria. They have not been fully implemented yet and therefore we haven't been hauled into court on them yet. I don't know how the courts would decide about what we are doing, whether it is good, bad, or indifferent.

I say we are moving into an area where administrators are going to have a tough job defending the financing of any housing in central city areas that are racially impacted. Of course big sections of those cities are.

Mr. COLLINS. Is there a program for congested areas to reduce the density and spread people out? Do you have such a program?

Mr. GULLEDGE. Yes. You can refer in my testimony where I said in 1969 further modifications to those 11 points were made. They were made by me. As soon as I took this office I went around the country between October 2, 1969 and December 15 and visited in every region, called in every insuring office director and every regional administrator and his key staff and told them they were to seek as a prime objective increasing locational choices for low income families, and they were to use as a prime objective avoiding further concentration of subsidized housing where they had previously been putting it. They have done a pretty good job of that. We submitted to the Civil Rights Commission a few months ago when the Secretary appeared before them some illustrative maps I have asked the offices to keep and submit to me every 6 months showing their progress in achieving improved location choices for low income families, and they are doing a pretty good job of it. Each 6 months it shows a much better picture of wider distribution of this housing.

I think we have a very affirmative program which addresses itself to the problem of reducing impaction.

Mr. COLLINS. I am glad to hear that.

Mr. GULLEDGE. Let me caution you one thing about it, Mr. Collins. The fact that the housing opportunity is provided there and the fact it is open to everybody doesn't necessarily mean that the central city residents want to move there. He may not want to move there because he doesn't know it is there. So we are implementing an affirmative marketing program requiring where there is a minority media and where the sponsor uses media advertising he must also use minority media advertising to make certain that people know the opportunity for the housing is there.

We are also informing every organization who wants to get on our mailing list at the area office level they can get on the mailing list, and we will give them a bulletin each month telling them the new projects which are being approved and they can distribute it to whatever constituency they have. We are making a solid effort to try to make certain that the central city resident knows there is a 236 project going up 5 miles out here and if he wants to move out there, he has as good a chance as anybody.

Mr. COLLINS. Has that directive been given to the regional office in Chicago?

Mr. GULLEDGE. The affirmative marketing is also submitted to the Federal Register for its final comment, and that comment period is November 3. I think they both come out the same day.

Mr. COLLINS. It was issued on the third of October?

Mr. GULLEDGE. The second of October it was submitted to the Federal Register for final comment for 30 days. So somewhere around the first or second of November that period is up, at which time the Secretary I am certain will be able to put it out as a regulation and then the Chicago office will have it as binding procedure.

Mr. COLLINS. Who would I request this information from if I want a copy of it?

Mr. GULLEDGE. Assistant Secretary Samuel Simmons.

Mr. MONAGAN. Furnish Mr. Collins a copy.

Mr. GULLEDGE. I will be delighted to do that.

Mr. COLLINS. My last question. Do you think the Judge Austin decision would hamper you in the implementation of this program?

Mr. GULLEDGE. The one I have just described?

Mr. COLLINS. Yes.

Mr. GULLEDGE. No, sir, not that. The affirmative marketing program and the program of increasing locational choices are not hindered by Judge Austin. Judge Austin's decision hinders us in our ability to respond to the needs of central city residents for subsidized housing newly built.

Mr. COLLINS. My interpretation of Judge Austin's decision is that he clearly states for every three houses built in an all-white community—this is in public housing—that one would be built in an all-black community.

Mr. GULLEDGE. I was not commenting on that. It was Judge Duffy's decision, not Judge Austin's. I don't have any problem with Judge Austin's decision. It is Judge Duffy's decision that gives me concern.

Mr. COLLINS. No further questions.

Mr. MONAGAN. Mr. Brown.

Mr. BROWN. I happened to see the headlines in the Detroit News yesterday, something to the effect that HUD is to have or has 4,200 homes on its hands. Do you know what they are talking about?

Mr. GULLEDGE. Yes, sir. Detroit will probably move to the top of our hit parade. We have a few offices around the country wherein homes which are in our possession have been increasing. I think Detroit is probably the leader at the present time.

There are a number of reasons for it. The economy is only one of them I would say. I think a significant portion of it may deal with the criteria that the offices were operating under in the 1967–68 era when they took a very loose attitude about credit, a very loose attitude about the physical condition of the house they put people into. We had a very vigorous effort by that office to try to put ADC mothers into home-ownership situations. Compounding all of those was an off-and-on economy which Detroit tends to have. Some people weather it just fine because they have resources. A family without resources doesn't. It is a combination of all of these things.

We have an awful lot of houses that have come back on our hands and are coming back. It is a very tough situation because it gets down to the heart of this business of can you really use these programs as they are presently constituted to rebuild the inner city, because if the inner city block starts to slide and people start moving out and you have abandonment taking place, it doesn't matter whether FHA insures it or not, we are going to get it back and all of the houses are going to wind up back on the hands of some lender, or the owner if they are paid for. We have whole areas that have this sort of thing.

Mr. BROWN. Is that true in Detroit there are areas where this moving out is taking place?

Mr. GULLEDGE. Yes, you have areas in Detroit and all major cities where this is taking place. We have it right here in Washington, D.C., a very substantial multifamily project. The whole thing is vacant, abandoned. In St. Louis, at Pruitt Igoe we have the same problem.

Mr. BROWN. In the course of my discussion of the problem of delay in processing of applications for FHA, several things have been suggested in my area. One is the possibility of a loan review committee where some of the responsibility could be taken off your hands for processing of loans, of applying for insurance. In other words possibly a builder's review committee where basically local people would participate in a kind of certification of the job being done by builders and thus bring their local influence to bear on the situation that exists so that some of the problem of a close scrutiny by you would be lessened.

Then I would further ask, to what extent does a lender today participate in the surveillance of a loan for construction on a project or home?

Mr. GULLEDGE. Let me address myself to your expressions more or less in the order you raise them.

We are trying very vigorously to see if we can—I said we are going to need a lot of administrative ingenuity to meet the demands upon this Department with the relatively short amount of personnel we are going to have.

Among the things we are doing right now—take the professions. In architecture we have had since January of 1970 a circular out which says if an architect will certify that the plans and specifications he has prepared meet the objectives of our minimum property standards, we will accept his plans for processing without further review on our part.

We are having a tough time persuading architects that this is for real and we mean it. But we have just had an experiment going in the San Francisco area office in which we are making considerable progress in educating the professionals to do a better job and then certify it. Frankly, we have been giving them a big crutch all these years. They prepare a set of plans that were reasonably good but not containing things they ought to have, on the assumption FHA will catch it. And FHA people have justified their jobs by making sure they caught something. That little game has been played for years.

We are now in San Francisco completely bypassing the architectural review section for any set of plans that are certified by the architect to meet our minimum property standards.

In addition to that, we are working on a proposal which is not ready for implementation yet but which addresses itself to the problem of being able to involve the mortgagee extensively in a final type of credit underwriting review.

After all, if they are making final determinations on conventional loans, what is so peculiar about an FHA loan that they can't make one there, too?

Furthermore, we have expanded our use of fee personnel. We were using just fee appraisers and fee inspectors. We have now added fee mortgage credit examiners to our cadre of outside people to whom we can pay a fee for rendering a service. All of these address themselves to the problem of how you can do a substantial amount of business with a reduced level of employees.

Mr. BROWN. What about retention by the lender of a portion of the risk?

Mr. GULLEDGE. I don't know whether an administrator can do that or not. We do it in title I. The lender assumes 10 percent of the risk and we take 90 percent. It's a very high volume program which is handled with a very low amount of staff, and it's the most profitable part of our insurance business.

Mr. BROWN. That is the very thing I have reference to. If it works so well there, why couldn't it be applied to others? If the lender had a portion of the risk, maybe some of the bad projects you get wouldn't be coming through.

Mr. GULLEDGE. I don't know whether it would take a legislative amendment or not. It would require legislation, Mr. Brown. It could originate in your committee. But we are, if I can use the word, tightening the screws somewhat on the lenders. I have told the lenders:

> You have been getting off too easy and you have got to do a better job or we are going to supervise you better to make sure you do a better job.

Frankly, there has been a loose attitude within the whole organization for several years now. As we come up to each one of them and we discover where it is, we tighten up on it. I think we have our appraisals, we got our cost estimating, and we are getting our inspection and moving in on the lender arrangement and so forth. I think we are going to get there.

Mr. BROWN. Thank you very much, Mr. Secretary. It's very fine testimony.

Mr. MONAGAN. Mr. Fascell?

Mr. FASCELL. Mr. Chairman, let me just add to what Mr. Brown said. Mr. Secretary, you have been a very excellent witness, a very responsive one.

Mr. GULLEDGE. Thank you.

Mr. FASCELL. I am sure we all appreciate it.

Is mixed occupancy on the 236 possible?

Mr. GULLEDGE. What do you call mixed occupancy?

Mr. BROWN. Subsidized and unsubsidized.

Mr. GULLEDGE. Yes, sure. In a 236 we establish what is known as a market rent, which is what the rent would be at 7 percent. Then you have a basic rent as to what the rent is to be with a mortgage at 1 percent. Every occupant must pay at least 25 percent of his income. If he exceeds the basic rent, then the difference above basic rent is refunded back to the Government. You can have 25 percent of your income exceed market rent. You don't pay any more than market rent, however.

Mr. FASCELL. Is that decision choice up to the sponsor?

Mr. GULLEDGE. No, sir. It's really up to the tenant, what kind of a tenant decides to live there. The tenant must pay at least 25 percent of his income up to the market rent. I would say, as a matter of practice, it doesn't happen very often. We do find that the general practice of 236 is that most of the people who are in there are receiving pretty close to maximum subsidy. About 97 percent of maximum is what we are finding as the national average.

Mr. FASCELL. Administrative procedure with respect to complaints, most of that is handled administratively, is it not, in what I would call a nonadversary or nonformal manner. Is that right?

Mr. GULLEDGE. That is right.

Mr. FASCELL. Are there cases that led to either a penalty, fine, or forfeiture that would require some kind of formal proceeding in FHA?

Mr. GULLEDGE. I don't know of any. We don't have formal hearings. We don't have a procedure for formal hearings.

Mr. FASCELL. Most of it is agency action rather than a formal procedure?

Mr. GULLEDGE. Yes. I would like to reemphasize what I said earlier, that certainly it's our intention to see that everybody is treated fairly. We do have the administrative tools to do that now. As individual cases are brought to our attention, we will see that they are.

Mr. FASCELL. How do you relate your public housing allocations with your other allocations?

Mr. GULLEDGE. First of all, we have a specific clientele to serve in public housing. They are identifiable by income levels in any community. Therefore, they are specifically identified in this statistical rank that we build up, so that we know how many public housing eligibles there are to be served along with how many 235 and 236 prospects there are, which have to be combined. You never know which—the income level is exactly the same. You don't know whether they are going to live in a 236 or buy. You examine all these criteria, and then the public housing estimate is folded into the total number of units which any given office, such as the Coral Gables office, has to distribute. It becomes part of it, the total.

Mr. FASCELL. Where is the national decision made? Do you make the national decision on the allocations? Is it in your office?

Mr. GULLEDGE. On any individual project?

Mr. FASCELL. I mean nationwide.

Mr. GULLEDGE. Nationwide we decide how much money goes to each regional office.

Mr. FASCELL. When you say "we," is that your office?

Mr. GULLEDGE. That is our office.

Mr. FASCELL. You don't have public housing jurisdiction, do you?

Mr. GULLEDGE. Yes, I do. I have jurisdiction over all public housing production, yes, sir.

Mr. FASCELL. I am troubled by this recertification program in public housing that has been going on for the last year. Just a specific to illustrate the problem that I am trying to get to.

Mr. GULLEDGE. What is the recertification, Mr. Congressman? We don't know what that means.

Mr. FASCELL. As I understand it, all public housing projects, even those that were practically ready for construction, were required to be submitted for recertification nationwide.

Mr. GULLEDGE. It wasn't last year. It was last month. For all the applications that were on hand waiting for fiscal 1972 funding, because all the fiscal 1971 authorization had been exhausted before fiscal

1971 was over, it was determined that the Project Selection Criteria were equally applicable to them. A very important element of the Project Selection Criteria is the location. The general approach of a public housing authority was to make application for funds without revealing the location where they intended to use those funds. So the vast bulk of the applications in our office is with no indication of where they were going to go, except they were going to go to the Miami Housing Authority, but no location in Miami. We had to send those applications which were in that stage back to the housing authority for them to tell us where they planned to put this housing so we could evaluate it.

That is what happened. We felt the housing authority was in a better position to make their own case, to make their application look as good as they could, rather than we try to guess on it.

Mr. FASCELL. I am confused by some of the testimony I had heard the other day, both from State officials and local officials, with respect to the allocation of public housing units in Florida, for example. For example, again in Dade County, the statement was made that there were 2,000 units ready to go, in other words, they were practically ready to break ground and they were required to resubmit their applications for reapproval—which they did. It took a year to get that reapproval. They finally got it, but by the time they got it there was a reallocation of units for public housing statewide—evidently nationwide, I don't know.

Instead of the 2,000 units being available for Dade County, on which they were ready to start breaking ground, the allocation for the whole State of Florida was reduced to 2,000 units and they can't even proceed with the ones they have in Dade County except on a pro rata or fair adjusted basis, or whatever it is.

Mr. GULLEDGE. Our total pipeline applications for public housing was five times the amount of money we had available in fiscal 1972. Obviously there has to be a reduction of applications.

Mr. FASCELL. But these were already approved. That is the thing that threw me off.

Mr. GULLEDGE. Approved is a term which is a relative thing. All the applications had some type of approval of them. If they were funded, obviously they would go right ahead—that is a contract which we don't break. But if the approval merely said—which generally is the type of approval you have—"Yes, we agree with you. You need 2,000 units," that approval doesn't mean, "And we will fund them."

Mr. FASCELL. I see. So that is probably what happened in that case.

Mr. GULLEDGE. That is probably what happened.

Mr. FASCELL. Thank you.

Mr. MONAGAN. Thank you. I have a few questions. I think the best thing would be to come back tomorrow morning, if you would be kind enough to do that.

Mr. GULLEDGE. I would be glad to.

Mr. MONAGAN. We will recess until 10 o'clock tomorrow morning.

Mr. FASCELL. Thank you, Mr. Chairman.

(Whereupon, the subcommittee recessed, to reconvene at 10 a.m., Thursday, October 14, 1971.)

OPERATIONS OF THE FEDERAL HOUSING ADMINISTRATION OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

THURSDAY, OCTOBER 14, 1971

HOUSE OF REPRESENTATIVES,
LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 2247, Rayburn House Office Building, Hon. John S. Monagan (chairman of the subcommittee) presiding.

Present: Representatives John S. Monagan, Dante B. Fascell, Garry Brown, and Charles Thone.

Staff present: Richard L. Still, staff director; Charles A. Intriago, counsel; Jeremiah S. Buckley, counsel; William C. Lynch, investigator; Frances M. Turk, clerk; Jane Cameron, assistant clerk; and J. P. Carlson, minority counsel, Committee on Government Operations.

Mr. MONAGAN. The hearing will please come to order.

Mr. Gulledge, I would like to run through your statement for a few questions that I have.

STATEMENT OF EUGENE A. GULLEDGE, ASSISTANT SECRETARY FOR HOUSING PRODUCTION AND MORTGAGE CREDIT, AND FHA COMMISSIONER; ACCOMPANIED BY MORTON BARUCH, DIRECTOR, SUBSIDIZED MORTGAGE INSURANCE DIVISION; VIOLA CAREY, DIRECTOR, BUDGET DIVISION; ALLAN THORNTON, DIRECTOR, ECONOMIC AND MARKET ANALYSIS; AND DAVID DEWILDE, ASSOCIATE GENERAL COUNSEL—Resumed

Mr. GULLEDGE. Yes, sir.

Mr. MONAGAN. First of all, you speak about the 10-year objective of the 1968 Housing and Urban Development Act of eliminating the need for a family, as you have amended it, to live in substandard housing throughout the United States. Is that a realistic goal, do you think?

Mr. GULLEDGE. I think that 6 million units of substandard housing, which was the best figure available in 1968, are reasonably correct. I don't think we quarrel with the fact that there were approximately 6 million units of substandard housing. I expressed this just exactly this way because that is really the net effect of the Congress saying, "So let's build 6 million units and subsidize them." The assumption was made that the people who live in substandard housing do so because they can't afford standard housing. Therefore, if we create standard housing, give them a subsidy so they can live in it, they won't have to live in substandard housing. That is a reasonable assumption for those people. The housing goal does not in any way address itself to the question of how many families in this country need a subsidy in order to live in standard housing. That is not contained in the housing goals concept.

Mr. MONAGAN. That is, of course, an important element in determining whether or not it is realistic.

Mr. GULLEDGE. Well, I think it is realistic in that 6 million substandard units need not necessarily be lived in by people who previously had had to live in a substandard unit because they couldn't afford other housing. That goal could be met. I have a very dim view that the vast numbers of substandard living units which exist in rural and small communities are actually going to be vacated by the occupants. I don't think that at all. I think that what we are really windingup with is we will have a very large number of substandard living units occupied by people in this country when the 6 million units of subsidized have been built. What has happened is that a great many families who needed subsidy and who qualified because of the statutory limits which are put on here will simply be living in subsidized standard units, but they did not all come from substandard units. We have no requirement that they have to come from a substandard unit in order to have their income or their living expenses subsidized.

Mr. MONAGAN. The total 10-year goal is 25 million?

Mr. GULLEDGE. 26 million in 10 years, of which 20 million was supposed to be unsubsidized and 6 million subsidized.

Mr. MONAGAN. Do you think that that goal is a realistic goal, too?

Mr. GULLEDGE. If you think of realism in terms of achievable; the answer is yes.

Mr. MONAGAN. Yes, taking into account the availability of the resources and the allocation of the resources that would be necessary, both public and private, to achieve this.

Mr. GULLEDGE. Yes, sir. I made a statement yesterday, which was that the 1972 budget which has now been implemented by passage of the Appropriations Act, contains within it subsidized housing production goals of, in rounded terms, 600,000 by HUD, 100,000 by Farmers Home Administration; 700,000 units. That level is perfectly achievable. That level carried through each of the succeeding years of the goals' decade added to the previous production will give us the 6 million so we don't have to increase a bit above what we have projected in the 1972 budget in order to wind up with the 6 million at the end of the goals' decade. The private sector, the unsubsidized, has also been able to pull up its production to such a 1972 anticipated rate that with a modest increase, perhaps a 10- or 15-percent increase in the next year or two, that the 20 million of unsubsidized would also be reached. This really begs the next question which is, "Well, is 26 million enough?" In my own private opinion, which is not departmental, it is not enough.

Mr. MONAGAN. You also spoke of the need for a yardstick for determining what the actual allocation should be. Now, you referred to all elderly individuals. Does that mean elderly individuals without regard to need or without regard to eligibility? There are elderly millionaires of course.

Mr. GULLEDGE. No, sir; the term "elderly individuals" is subdivided by income groups and also by types of housing which they occupy, owners and tenants, elderly below certain income levels, and so forth, so we do subdivide that elderly classification that way.

Mr. MONAGAN. You also referred to housing deterioration. It does seem to me that you have hit upon a very significant element because regardless of the rate of production if you had deterioration and units going out of housing use at the same time you could end up being behind the game.

Mr. GULLEDGE. Surely. We think that the rate of deterioration is accelerating rather than decreasing. The net consequence is that if deterioration is allowed to go for a while, it becomes substandard housing, so we know that we have a tremendous problem there that we haven't really got a handle on how to lick yet. The whole question of rehabilitation of housing—I referred to it yesterday in connection with Mr. Brown's comment about the 4,200 houses which the Secretary now has title to in Detroit—this is really the problem of housing in the central cities and what are you going to do about it. Let me first say we don't have the answer.

Mr. MONAGAN. Is it true, too, at the same time that our standards of judging deterioration are rising?

Mr. GULLEDGE. I think, if anything, they may be sliding, Mr. Chairman.

Mr. MONAGAN. May be what?

Mr. GULLEDGE. May be sliding, the ways in which we classify whether or not a house is substandard, deteriorating, and so forth, at first one criterion and then another eliminated, and we are down to the point now where substandard means it doesn't have standard plumbing in it. You know, that means five-piece bath with hot water. That's about the only classification which the Census Bureau has been using in its 1970 census. In 1960 they had more classifications, and they are doing a special review of the 1970 data using the 1960 method of determining substandard units so we will have an apples and apples comparison so we can tell whether we are kidding ourselves—are we eliminating substandard units or not? The 1970 basic data originally didn't really satisfy us that we were talking about the same item.

Mr. MONAGAN. When you talk about the portion of each year's authority that is set aside for 235 and 236 to carry out specific central office programs, such as project rehab and operation breakthrough, what does that amount to in percentages and in amounts?

Mr. GULLEDGE. For section 235 for fiscal 1972 we have under project rehab $17 million. Under operation breakthrough it is $856,000; total $17,856,000. Under the 236 project rehab is $10 million. Operation breakthrough is $18,500,000; total of $28,500,000 of section 236. And for military occupancy preference we have $3.8 million which essentially will wind up 236.

Mr. MONAGAN. When you gave Seattle as an example on page 8 under No. 3 where production is "reaching the point of outstripping the need for housing;" is that because of a reduction in the number of people through moving out? What is the reason for the drop in need?

Mr. GULLEDGE. Seattle has been an area where there has been a very large increase in unemployment. The Boeing Co., the major employer, decreased something like 50,000 or 60,000 jobs in a period of 3 years. Therefore, there has been some exodus of people away from Seattle, leaving many units available. Boeing's reversal was very quick and without advance notice. The building business being a long leadtime business, there were many, many projects that were under construction anticipating the development of the SST by Boeing and a whole lot of other things, just like that, it was turned around. The net result was that projects were started that never would have been started if it had been foreseen that they were going to have the economic condition they did. The net result is a somewhat overbuilt market, a market that did not need new construction; but because so many families were now at a lower level of employment or family income markedly decreased, they needed housing accommodations through the section 23 lease program. We haven't built any new public housing of any consequence in Seattle for 2 years. What we are doing is using the lease program to lease existing housing and we are getting it fairly advantageously because the price is right. There is a surplus on the market.

Mr. MONAGAN. You refer also to Project Selection Criteria and the provision for sound housing management in the multifamily projects.

Mr. GULLEDGE. Yes, sir.

Mr. MONAGAN. Obtaining a proper management is one of the really difficult and critical problems, is it not?

Mr. GULLEDGE. Probably the most critical the Department is facing from an administrative standpoint in the housing field simply because, although there is an existing identifiable mortgage banking industry, real estate industry, housing production industry, there is no such housing management industry. The concept of professional management of housing for low-income families in particular has simply not been picked up by the private sector. There just isn't such a large number of people out there that there are standards established for good management—people coming into the field wanting to learn how to manage, and so forth. So the Department is taking a number of steps under Assistant Secretary Norman Watson, who has that responsibility to set standards for management, to encourage the introduction of people into the management field. We are concerned with taking a total look from a management standpoint at any project. Management has ideas about where the trash ought to be stored, where the play yards ought to be, what materials ought to be incorporated in a building to reduce maintenance—all these things, as well of course, as what the relationship will be between owner-management and the tenants themselves; so that everything before the project is occupied, and of course everything after the project is occupied, is a management concern; and we are interested in approving projects that show a strong capability of doing a good management job.

Mr. MONAGAN. You spoke before of the situation that existed at the time of the depression when so many properties were taken over by the mortgagees. I remember that vividly. There did develop, however, a rather broad management function in these properties of necessity which appears to be lacking today.

Mr. GULLEDGE. The HOLC did a real good job, bailed everybody out, and that management cadre simply got absorbed elsewhere.

Mr. MONAGAN. In the core city or the ghetto where a great deal of this housing is located you have problems that are totally unrelated to the simple collection of rents or performance of normal management functions.

Mr. GULLEDGE. It is sometimes felt that it is only the family without background who is trying to buy a house that has a management problem. That is not true. The family who hasn't learned how to live with other large groups of people in rather confined quarters also needs counseling, needs a management that is sensitive to the social issues involved, and so forth. We have had some rather outstanding examples of private sector organizations which are moving in an entirely new direction in this way. One of them right here in Washington was reported in the papers not too long ago where the manager just got all the people together and said, "OK, you folks make the rules. I am not going to make them. You tell me how many times a guy can miss his rent before we tell him to move. You tell me how much noise he can make before he shuts up or moves." And the tenants make much tougher rules than management would have dared to make. But it is a new management concept to let the tenants set the rules.

Mr. MONAGAN. Recently the Department of Justice in a release stated that FHA frauds are a growing problem. That was in connection with an indictment in Philadelphia with which you undoubtedly are familiar. Do you find this to be the case, that there are increasing numbers?

Mr. GULLEDGE. Yes, sir. These are matters of degree. The percentage game or the numbers game can be misleading, either way. If you had a dozen frauds and you get 2 dozen, that is a 100-percent increase—but it is only 12 more. We have close to 8,000 employees out in the field. With the type of circumstances we have been operating under, we find that some of our own employees, of course, have been indicated, although a very small number of them—certainly considerably less than one-half of 1 percent. Many of our fraud opportunities are brandnew. A person who has to certify that his income is only so much, and based on that certification he can get a subsidy, is tempted to fraudulently certify what his income is so he can get his subsidy.

Prior to the latter part of 1969 we had no such volume opportunity. Now we have several hundred thousand opportunities out there and 235 purchasers, even 236 renters, fraudulently certify what their income is. Also there are the usual other fraudulent certifications that we sometimes get from mortgagees who will try to make a fast buck, or realtors, or real estate agents, or appraisers, and our own employees. We are doing a whole lot more business, and there is a whole lot more opportunity. It is not always, however, the Department's people who are directly involved.

Mr. MONAGAN. I didn't mean to suggest that.

Mr. GULLEDGE. No, I know you didn't. I get a weekly report from our investigative unit of all complaints which are handled by them and the nature of the complaint and the disposition. The vast, vast number of complaints we get involving fraud are on the part of the public. Of course, the Bureau gets all of them.

Mr. MONAGAN. Over the years in the normal FHA mortgage guarantee program you didn't hear much about fraud. In what area do you find this fraudulent behavior concentrated?

Mr. GULLEDGE. I would say it is principally in connection with either our central city or subsidized programs. In the suburban programs, so alleged, 203(b), 207 rental, et cetera, you are dealing with a more sophisticated market. There is less opportunity that the buyer or the renter himself is going to be a party to a fraudulent act and there is less reason for a fraudulent act to be perpetrated.

When you are dealing with the reasonably unsophisticated—we might even say gullible—central city residents who never had an opportunity before to have a decent house and someone promises them a pie-in-the-sky type of thing and "Just sign here," they do it and in the act they may or may not know that they are certifying their income falsely. Also, there is greater opportunity for chicanery on the part of the appraisers. We have fee appraisers. We have to do a substantial amount of fee work because we do not have permanent staff to do it and sometimes these are not as closely supervised as they need to be. They sometimes develop patterns of taking bribes or committing other illegal acts.

Mr. MONAGAN. Do you think it is preferable to utilize your own employees rather than rely upon fee appraisers?

Mr. GULLEDGE. Well, you have somewhat better control but I wouldn't want to try to make a case at this time that with fee appraisers we have lots of problems and without them we would have few problems. I just don't believe that. But we expect about 275,000 fee actions this year. Now, with 275,000 fee actions you have an awful lot of opportunity for somebody who might not think he is going to be checked up on to do something wrong.

Mr. MONAGAN. Are you saying that you would like to have more appraisers and that you haven't been able to get them? That is really what I am asking.

Mr. GULLEDGE. We certainly need more permanent staff, obviously. The traditional role of the use of fee actions by FHA has been to counterbalance the cyclical off-again, on-again nature of the housing industry. When we have a great increase of business come into the office to be handled, we do not get a commensurate increase of permanent personnel to handle it. We take care of the overload through the fee. In recent years the overload has been permanent, so we really have not been able to generate enough permanent personnel to markedly decrease the number of fee actions we have had in the past several years. There is just a perpetual shortage of field personnel.

Mr. MONAGAN. Mr. Gulledge, you indicated that it was unrealistic to have statutory limitations on the amounts available. I assume you are referring to the 235 program.

Mr. GULLEDGE. Yes, sir; mortgage amounts under 235.

Mr. MONAGAN. Would you just for the record expand a little bit on the reasons for this?

Mr. GULLEDGE. Well, I think it is part of the legislative process in which in all good conscience a committee holds hearings and data is presented and they reach a decision that $22,000 or $18,000 or any other figure represents what it costs at that time to be able to produce good housing. Yet by the time that becomes law the chances are the cost of housing has gone up 3 or 4 percent because it has been averaging 6 or 8 percent increase a year; so the dollar figure becomes a little obsolete by the time it is enacted.

Now, when several years go by without any subsequent legislative action, then very rapidly the mortgage limit becomes obsolete. Because costs have been rising 8 percent or so a year, with 2 years that is 16 percent off base. Because the limitation is a national average, the areas which are closest to the ceiling to start with are the first to be cut off, and that is generally, as I said, the Northeast and the north-central parts of the country. You can still build a pretty decent house in the South and Southeast and Southwest for $21,000. You can't build anything in many parts of New England and the mid-Central States with that.

So we do need administrative flexibility to be able to simply determine on a periodic basis what it does cost to produce decent housing in a given geographic area.

Mr. MONAGAN. Is it so that at the present time if a builder is interested in getting a commitment under the 235 program instead of having a firm commitment you have a priority registration?

Mr. GULLEDGE. Well, the terminology gets a little confusing sometimes even to me, and I know it is to others. I will try to set it out. There are times, for instance, March, April, May, June of this past calendar year, toward the last of the fiscal year of 1971, we were out of contract authority. We didn't have any more authorization to commit.

Now, a form was developed called a priority registration for a 235 commitment, which simply says that it is sort of an IOU, a promissory note, if you will, with a condition on it, in which the Office says:

> If you want to keep on building houses for a 235 market I can't give you the funds because I don't have any, but there will be authorization in the next fiscal year. I will give you a priority assurance. This is the note, the IOU, I will give you a note that says when I get the authorization I will pay off. You can come in then and get the contract authority for your 235 commitment.

It is an administrative device which we have implemented in order to be able to get the funding cycle closer to the building cycle in this country.

Mr. MONAGAN. It could cause some spurts based on the fiscal year, could it not, if you had a backlog of commitments?

Mr. GULLEDGE. We don't put out very much of that.

Mr. MONAGAN. Is there any limit on it?

Mr. GULLEDGE. Oh, sure. We only allow about 2 months of the fiscal year authorization to be put out that way, so we are not really heavily committing the next fiscal year. It is a calculated risk. It is conceivable the Congress would provide no contract authorization for the program, but that is the risk the builder takes. We tell him very clearly, "If we get some authorization, then we will honor this." If he wants to go ahead, fine. If he doesn't, of course there is nothing that says he has to.

Mr. MONAGAN. In Flint, Mich., there was an unfortunate situation, where, as I understand it, a large amount of housing was concentrated in one area.

Mr. GULLEDGE. Yes, sir; Beecher Township.

Mr. MONAGAN. Would you just tell us a little bit about that situation?

Mr. GULLEDGE. It seems that west of Flint, Mich.—about 7 or 8 miles, I think it is—there is a township called Beecher Township. It was a township which happened to have sewer and water available to it. The land being that far out, it wasn't that expensive. It is pretty difficult to be building 235 houses for the mortgage limits that were applicable in central city areas or nearby suburban areas; so builders came in with proposals to build houses in that location. The Director went ahead and kept authorizing them.

Looking back at it, it is quite obvious there were inadequate controls, poor supervision on the total amount of housing going into the area. The net effect was an excessive concentration of houses with 235 eligibility in that particular area. That area is not all that small, however. As I recall, it is something like, oh, 3 miles by 5 miles or some 15 square miles, and we put about 750 units in it. Some people would say, "Well, that is a very, very low density," but within that entire area there were pockets or, say, whole blocks of nothing but 235 houses. And I frankly think, Mr. Chairman, that that wasn't so much the problem by itself as the fact that the office simply didn't follow some other instructions, and took a very poor attitude toward making certain that the housing was attractive.

I haven't heard anybody particularly complain that there was shoddy construction but there was certainly shoddy design because they simply allowed one design to be endlessly repeated, and that is not in accordance with our instructions, either.

So I will say this about the Flint office. The Flint office is not a full insuring office; it is what we call a servicing office. It operates out of the Detroit office's supervision. We are taking steps to increase the Detroit office supervision and to make sure that the personnel there thoroughly understand those portions of our instructions which they seemed to be either disregarding or ignorant of previously.

Mr. MONAGAN. What is the situation now with reference to these 750 units?

Mr. GULLEDGE. I frankly haven't heard anything about it. Representatives of the Department met with various people of the community. I know the superintendent of schools in the area was quite concerned. The Department has attempted, I think through its community facilities program, to provide such assistance to the overly impacted area as is within the Department's resources and so far as I know a reasonably amicable solution to the problem was worked out. At least, I have not heard anything in the past few months.

Mr. MONAGAN. Were there any units taken over by the Department?

Mr. GULLEDGE. No, sir. The people living in them weren't dissatisfied. The community in which they were located was dissatisfied. They said, "You are overcrowding our schools. You are doing all this other sort of thing," and an effort was made to try to work out something which would resolve the principal problems of the community.

Mr. MONAGAN. Do you think that steps have been taken since that time to prevent a recurrence of a situation such as this for the reasons that you have mentioned?

Mr. GULLEDGE. I have every reason to believe that our new project selection criteria, which very definitely have very strong components, bear on that exact same problem. They would not allow a 235 subdivision containing a substantial number of units to be approved in a given location if the approval of that subdivision meant that that particular section of town would become characterized as being a subsidized housing part of town. "That is where the subsidized housing is, over there." So any subdivision which would tend to create that net effect would simply be disapproved under our project selection criteria. As I said yesterday, the project selection criteria do document now the reasons for many decisions which previously were never documented. We never had any record of why somebody did this, but I think we now have administrative tools that will help to substantially eliminate the possibility of that happening again.

Mr. MONAGAN. Mr. Gulledge, from the point of view of the committee in examining HUD programs and also the housing problem as a whole, it is important to know what portion of housing production is subsidized and what is unsubsidized and what the relationship is between the two; whether or not it changes and how it changes. Can you give a definition of subsidized and unsubsidized, or at least subsidized housing, and state the proportion involved?

Mr. GULLEDGE. Yes, sir. Subsidized is any housing which has a Federal subsidy attached to it. It can be in the Farmers Home Administration where the interest rate is arbitrarily fixed at less than market. It can be in HUD, where under the public housing program the Treasury amortizes the principal and interest of bonds whose proceeds are used to pay for the housing. Under the 235 program it is a matter of supplementing the interest rate down to as low as 1 percent; the same thing on 236. The rent supplement program has a subsidy which reduces the rent of the person. All of these things are direct appropriatons out of the Treasury to make up the subsidy and collectively are called subsidized housing.

The traditional insured 203(b) single-family detached house is not considered to be a subsidized house. The principal role there is that the FHA is an insurance company, sells an insurance policy. The borrower pays an annual premium on the policy, the premium more than covers the cost of the policy, and actually the FHA reserves are in very good shape at the present time. There is no subsidy involved there.

Mr. MONAGAN. Is there any difference in the interest rate to the borrower as a result of having this insurance?

Mr. GULLEDGE. Now, all of the insured programs have the same maximum insurance rate, which currently is 7 percent. The interest rate to the borrower in the Farmers Home Administration is somewhat less than 7 percent. Is it 3?

Mr. THORNTON. Different ones. They range from 3 up to 7.

Mr. BARUCH. About 5 percent now.

Mr. GULLEDGE. They say it is about 5 percent now but apparently it varies according to various criteria which the Farmers Home people have which I am not totally familiar with. Of course, in the public housing program the bonds are tax-exempt local bonds, which are simply guaranteed by the Federal Government, and their interest rate is somewhere in the neighborhood of $6\frac{1}{8}$ percent and $6\frac{1}{4}$ percent now. The interest rates vary.

We have introduced the tandem plan within the past 2 months (this goes back around the early part of August). Under the tandem plan GNMA is now buying the traditional 203(b) (where the borrower pays the full 7 percent on his mortgage) with a subsidy price to the lender such that the number of points involved in the transaction is reduced. It doesn't reduce the points to zero. Five points will have to be absorbed by the seller of an existing property and four points on a new property. The difference between either the four or five points and the market rate, which today is about six and one-half points, is a subsidy in that sense, so we have had a brandnew introduction of a subsidy.

It gets rather indirect but I think you could therefore say to that extent, then, nearly all FHA mortgages may be subsidized currently. The tandem plan is not envisaged as a permanent thing. It is envisaged to be something which would be worked out of within a reasonably short time.

Mr. MONAGAN. Now, as to the proportion and the amounts?

Mr. GULLEDGE. I can give you some approximations for the current year. You meant for the whole country, Mr. Chairman?

Mr. MONAGAN. Yes.

Mr. GULLEDGE. As opposed to just the FHA business. Totally in the country this year we will produce somewhere in the neighborhood of 550,000 subsidized units. No; better call it about 640,000 because we have to get the Farmers Home in there. Totally in the country there will be about 2 million units so somewhere in the neighborhood of between 30 and 35 percent of total production in the country will be subsidized this year. That is this calendar year.

Mr. MONAGAN. And that proportion, of course, is on the uprise, or is it?

Mr. GULLEDGE. Really, it has leveled out. It rose last year. In the last calendar year it ran 32 percent because the unsubsidized sector was not able to pick up its production as rapidly. This year the unsubsidized sector has been able to pick up its production and the percentage of the total that is subsidized therefore goes down slightly.

Mr. MONAGAN. Mr. Gulledge, there are situations in which housing projects are financed under FHA programs and then they are leased by the owners to local authorities on a long-term basis. Is there any feeling that the unusual security that by this arrangement accrues to the owner should reduce some of the benefits that the owner would otherwise get on the assumption that he was going to be subject to the normal risks of property ownership?

Mr. GULLEDGE. Well, two aspects of that. One is that the very nature of the formula that a local housing authority must use in order to determine the maximum amount of rent that it can pay restricts the return on his invested equity which the normal investor would be able to achieve. The public housing authority proceeds on a formula of how much does it cost to build this unit and how much would it cost the local housing authority to operate that unit with the financing being done at approximately a 6- or $6\frac{1}{4}$-percent rate instead of the traditional $7\frac{1}{2}$ percent to 8 percent, with no local taxes being paid, except that there is about a 10 percent gross income paid for taxes, so the property is tax-exempt to start with. The financing behind that property is less than market to begin with, and because the housing authority can't produce housing at that price, then they can't pay any more than that for rent. Therefore, the private sector has to be able to figure out how to get land at less cost and build acceptable housing at less cost and pay full local taxes and finance at full market rates and still be able to charge a rent that meets what the local housing authority can pay. So the net result is that the owner does have a reduced return on his investment.

Now, the other side of the coin is what happens when that lease runs out. Under the FHA we have 40-year mortgages. Frankly, this is of some concern to us, not enough not to be willing to take the chance, but looking down the road a housing authority at the end of the lease can elect not to renew the lease. That is their privilege. But the owner still has a project which has another 20 years to go on the mortgage. To whom will he rent it? The character for 20 years has been established, that of a public housing project. I don't care who the owner is. After all, the people who lived in it were public housing tenants. If the public housing authority takes its people out, then to whom will it be rented? I can't find many market renters that could be attracted into a former public housing location.

So you have several risks. The risk there is that at the end of the line the owner is going to be faced with a project which may or may not be something that he can rent, and it is a risk, of course, we are taking too because we are insuring that the thing will be feasible.

So those are the types of considerations and we have had lots of internal discussion on whether or not we ought to have a mandatory requirement that because you are leasing to the Federal Government for an extended period of time there ought to be some adjustments made. We feel that the adjustment really takes place at the initial setting of the rent. At the end of the line the man has a project. It is not paid for yet and he faces a possibility of losing on the rent.

Mr. MONAGAN. Mr. Gulledge, with FNMA and the Home Loan Bank Board taking a more active role in furnishing mortgages, is there a change in the role of the FHA and do you envisage further changes in this regard?

Mr. GULLEDGE. Well, since the principal role as conceived in the original statute hasn't been particularly changed and the FHA is an insurer of the lender that he won't lose money, and since neither the FNMA nor the Federal Home Loan Mortgage Corporation are insurers that lenders won't lose money but they are merely vehicles for providing investment funds, their growth in no way, in my opinion, changes the role of the FHA. What they have done is simply make it possible for FHA to be involved in far more housing units that are produced in this country because they have been demonstrated to be very capable of attracting substantial amounts of money into the mortgage investment field.

Mr. STILL. One point there, Mr. Gulledge. Talking about the seasonal aspect of FHA in the past and having to rely upon heavy fee appraisers, and so forth, isn't it possible that the effect of FNMA on the Home Loan Bank Board could possibly level out thi on-again, off-again aspect of housing production?

Mr. GULLEDGE. In theory that is right, and I think it was demonstrated rather effectively last year. I can tell you a little bit of personal history. I remember it pretty well because it happened the first week I came on board. This was 2 years ago this month, October 1969. There was a general feeling that the housing starts in 1970 would come to less than 1 million units. That was a level unacceptable to the Secretary and unacceptable to the President. Instructions went out to figure out how to make this a normal year, and a normal year was around 1.4 million, 1,450,000. The borrowing capacity of the Home Loan Bank Board was increased. The borrowing capacity of FNMA was increased. A number of steps were taken so that they could bring into the market money that, if those steps had not been taken, would not have come in, and we would have had that big decline.

So you are absolutely right that they do tend to offset some of these strong cyclical swings which have been prevalent in the housing industry the past 25 years.

Mr. STILL. Our present interest I think would be in terms of thinking through possibly FHA's role in terms of personnel, use of fee appraisers. This, of course, has some relationship to the economy instructions that I believe you are under now which we discussed yesterday.

Mr. GULLEDGE. I think in that line I recall something I said a little earlier. The 1972 budget level of Farmers Home and HUD together would produce approximately 700,000 subsidized units and that would level off for the ensuing 6 years of the goal's decade, so if we had the personnel on board to be able to handle that volume of business, then I don't necessarily see that we are going to have an awful lot of need of expanding beyond that. Our own projections are simply that when we get there, there would be a plateau because we do see a stabilizing of the supply of mortgage money through the instrumentalities you have mentioned plus others which I think are badly needed.

Mr. STILL. Thank you, sir.

Mr. MONAGAN. Mr. Brown?

Mr. BROWN. Mr. Gulledge, is there any real justification for the different housing program under the Farmers Home Administration?

Mr. GULLEDGE. I really couldn't say that there is a need for a different type program under the Farmers Home Administration.

Mr. BROWN. Let me follow that question up and ask if there is any real justification for dividing the administration of housing between rural and urban?

Mr. GULLEDGE. In my opinion, the housing needs of the people would be better met if all the housing was concentrated under one administrator in order that you could hold one person accountable for what is going on everywhere. The worst world is when you have divided responsibility and everybody can say, "Well, I don't look after that," and yet everything is interlocking.

With the methods of financing which the Farmers Home Administration uses, they are still getting appropriations out of the Treasury for their subsidies, 235 is an appropriation out of the Treasury for subsidy, so there is not that much difference there. One big thing the Farmers Home Administration has which FHA doesn't have and that is a lot of good men in some 1,700 offices who, out there in the rural areas, are able to work on a basis of, many of them, 5 or 10 houses a year but they help some people get housing.

If there was a blending of that field structure with the field structure we currently have, or some modification of it, I think they would be made more effective and so would we. We do find there are areas where we actually sort of develop a competitive system. We ran into it out in Seattle once again. I often mention Seattle. Here some time ago there was a pretty aggressive Farmers Home Administration representative and a pretty aggressive FHA representative, and they kept clashing over who was going to get the business. Well, that didn't really serve anybody any particular good; so I say there would be administrative improvement if there was a combination so that one administrator could be looked to for all housing and say, "OK, justify what you are doing."

Mr. Brown. In your 236 program I think that you testified yesterday basically the sponsor refunds to you any amount received in rentals in excess of the amount to which he would be entitled under your subsidization program.

Mr. Gulledge. We call it the basic rent, yes.

Mr. Brown. How does it happen that it was done in that way rather than having the sponsor bill you for the amount of the subsidization that he would be entitled to?

Mr. Gulledge. I presume one answer, Mr. Brown, is 40 percent of it is sponsored by nonprofit organizations which simply do not have the money to be able to carry expenses that way.

Mr. Brown. How is the verification done of the amount that should be paid by the tenant?

Mr. Gulledge. It is required that the tenant certify his income to the management. The management supplies that certification to the mortgagee representative. We really look to the mortgagee to be the one who is supervising the receiving of the recertifications.

The management, of course, reviews everybody who comes in. As part of being able to become a tenant in a 236 unit he has to certify what his income is. The statute requires at least a recertification every 2 years. We are currently working on, and expect to have out very shortly, a reduction of that 2 years to every year.

Some management firms are a little bit more conscientious about it. I know some who require tenant recertification every 6 months, in addition to which we have regulations which call for a recertification when some unusual change takes place in the income, say exceeding a 5 percent up or 5 percent decline because some people make less money. It's not always that they are making more money.

Mr. Brown. As a practical matter, with a limited participation type sponsor, there isn't much of an incentive to make sure the tenant pays up to the full.

Mr. Gulledge. Practically none.

Mr. Brown. You are going to subsidize the difference anyway.

Mr. Gulledge. Except the incentive that he must obtain certifications. If he fails to do so, he is in violation of our regulatory agreement with him. If the tenant certifies falsely, then he is committing fraud. But there isn't any profit incentive built in for the limited dividend sponsor to try to get people in there who can pay more.

Mr. Brown. Has there been any study made or any dreaming done about tying the Internal Revenue Service into the whole housing subsidization program?

Mr. Gulledge. The use of information provided by the Internal Revenue Service would be of little value as the basis for determining an applicant's eligibility to participate in our subsidized housing programs, or for determining the amount of subsidy to which an eligible applicant might be entitled, since the information included in tax returns reflects the applicant's income during a period which could have ended as much as a year in the past, while the subsidy is based on his current situation.

We do recognize, however, the need for vertifying the information which the applicant provides to us, both in his original application for assistance and in subsequent recertifications of his income and family composition. While it could not be used to provide direct verification, again because of the different time periods involved, information provided by the Internal Revenue Service can be a valuable tool in the verification process. The Internal Revenue Service has agreed to release this information to the Department of Housing and Urban Development at our request, provided the taxpayer has given his permission to do so. Therefore, instructions providing for the verification of the mortgagor's statements at the time of recertification, as well as at the time of initial application, are now being prepared by the Assistant Secretary for Housing Management and should be published soon.

Every applicant for a mortgage insured under section 235 pursuant to a firm commitment issued after the effective date of these instructions, and every mortgagor who recertifies his income and family composition after that date, will be required to provide us with a letter authorizing the Internal Revenue Service to release to us copies of his Federal income tax returns for the past three years. If a verification of the applicant's or mortgagor's statements through his employer and other nongovernment sources leaves room for further question, we will request additional information, including the tax returns in question, and use the tax information as a means of determining whether it is reasonable to accept the mortgagor's statements as to his current income and family composition. While it will be impossible to make direct comparisons between current income and family composition and that reported on the tax return, it should be possible to determine whether a reasonable relationship exists. We will also use this information to spot check a sampling of recertifications where there are no obvious questions.

We intend to implement these procedures initially in the section 235 program, with the likelihood that they will be expanded to other subsidized housing programs if they prove successful.

Mr. Monagan. It seems we are getting into the same problems as we have in welfare administration.

Mr. Gulledge. That is right. The welfare chiselers. We have them already. There is something nice I would like to mention about our 235. We have been starting to get recertifications on 235's. We have found that after 2 years a significant number of these people no longer need any subsidy. I think it's somewhere around 8 to 10 percent after 2 years do not need any subsidy. About the same number are using a little bit more subsidy. Of those in between, most are having a decrease in subsidy. This indication is so strong that our projections now within the Department are based on the average 235 mortgagor receiving a subsidy for an 11-year period, although we are writing a 30-year mortgage.

Mr. Brown. Isn't it also true, Mr. Gulledge, that under the 235 program the homeowner who gets his interest subsidy down to 1 percent in turn can claim an income tax deduction for the full amount of the interest?

Mr. Gulledge. Yes, sir. That is an Internal Revenue ruling.

Mr. Monagan. That is another subsidy.

Mr. Gulledge. The Internal Revenue says it costs them more to examine it and regulate it than they feel they could recover and they made a uniform rule on that.

They are faced with the same paperwork we all are. We are all completely submerged in paperwork these days. We are talking about literally millions and millions of transactions requiring somebody to keep up with them and check on them. It's very difficult to get the personnel or the equipment to do it.

You take the calculated risk that basically most of the American people are honest. I firmly believe that most of them are. Most of them are not going to cheat you very much.

Mr. Monagan. We are not being schooled too well at the moment in some of these programs.

Mr. Gulledge. Some of the morality seems to be a little out of date, I agree with you.

Mr. Brown. I am looking at it from the standpoint of the subsidy that comes from the nonpayment of income tax if you applied that 6 percent or so.

Mr. Gulledge. If the House approves the bill that was approved in the Senate, you are going to have a lot of people excused from paying any income tax anyway.

Mr. Brown. Yes.

Mr. Gulledge. It's the lowest bracket of taxpayers, and most of them have large families. If it wasn't because of their income level, it would be for other reasons they wind up paying little tax anyway. That is the reason the Internal Revenue said it would cost them more to get it than to let it go.

Mr. Brown. What is the situation of the sponsor of a 236 project with respect to the same income tax problem?

Mr. Gulledge. Of course, there are nonprofits for whom there is no income tax involved. If it is a limited dividend; the owner is either personal, partnership, or a corporation, and gets all the advantage of depreciation allowances, et cetera, in the usual straightforward income tax way. He is taxed on the profit that might be generated out of it.

Mr. Brown. I have no further questions, Mr. Chairman.

Mr. Monagan. Mr. Fascell?

Mr. Fascell. Thank you, Mr. Chairman.

Mr. Secretary, in the leasing of multifamily public housing, regarding the continuing interest problem at the end of the lease, why can't you extend the financing in the original instance with a lease for the term of the financing?

Mr. Gulledge. There is a statute that says we can only lease new construction based on one 10-year initial lease and one 10-year renewal. For existing construction, there can be one 10-year initial lease and one 5-year renewal.

Mr. Fascell. But financing runs a lot longer than that.

Mr. GULLEDGE. Financing can run longer than that.

Mr. FASCELL. How long—30 years?

Mr. GULLEDGE. If it's FHA insured, it would be 40 years. I would hasten to say that there aren't many section 23 lease programs which involve FHA insurance. There are some, it's possible, but not many.

Mr. FASCELL. So the contingency you were testifying about was not a substantial one.

Mr. GULLEDGE. No.

Mr. FASCELL. It is a problem but not a substantial one.

Mr. GULLEDGE. It's a very low volume. It's a problem that somebody 20 years from now is going to have, but maybe there will be a solution by then.

Mr. FASCELL. There is not such a problem as to require consideration by a legislative committee to change the requirement—at least you are not recommending that?

Mr. GULLEDGE. I have none to recommend at this time. I don't see it as a problem.

Mr. FASCELL. The only other alternative by way of administrative action is not to finance any that are going to be leased, and turn your program someplace else. That would be one way to handle that.

Mr. GULLEDGE. Surely. Incidentally, you cannot take a 236 project and let the owner of that lease it to a housing authority. That would be a doubling up of subsidy. Any insured FHA project which is leased to a housing authority is insured without subsidy. It's a 221 (d) (3) or (d) (4) market rate project. So there is no doubling up of subsidies on that.

Mr. deWilde, our Associate General Counsel, reminds me that there are some units and some projects wherein a local housing authority is leasing some units, and as a consequence, you could have a doubling up of subsidy in that case. But it's not done on the leasing of a whole building or anything of this sort. This is simply a unit available in the market, and the housing authority wants to lease it.

Mr. FASCELL. Do you have readily available the extent of this problem on the lease question so we will know how many units we are talking about and how far down the road you are looking at it?

Mr. GULLEDGE. Surely.

Mr. FASCELL. If you could supply that, we would get some better measure of exactly the nature of the problem and the scope of it. That would be helpful.

Mr. GULLEDGE. Surely.

(See appendix A, p. 119.)

Mr. FASCELL. Did I understand you to say that as a matter of policy, you support the tenant council concept?

Mr. GULLEDGE. Surely, absolutely. I think that we are in an age in our society wherein many, many people are being brought into situations they cannot handle. They need to have some dependable source to turn to, to get some advice. Therefore, I think counseling is an absolute need. I think it's going to pay better returns for the dollar spent than almost any other thing we can do.

Mr. FASCELL. In Miami recently, we had some testimony on that question. The report there was that it was extremely successful. There has been a marked increase of interest on the part of the tenants in improving operation and maintenance of the public housing project.

Mr. GULLEDGE. We have had some pilot programs going. We are satisfied that it's an absolute need.

Mr. FASCELL. I want to read a quotation from your insuring officer when he testified the other day.

Mr. GULLEDGE. All right.

Mr. FASCELL. I would like to get your comment on this:

> We are becoming increasingly concerned that the cost to provide housing is fast approaching economic infeasibility. The ad valorem taxes in the Miami metropolitan area are inordinately high compared to other communities in our insuring jurisdiction. This places an economic burden on subsidy projects and is becoming critical. The cost of material is rising constantly, as well as escalating wage costs. The availability of the water and sewerage facilities is becoming a critical concern to us. If these facilities are constructed and expanded to meet the housing demands, many of our programs will be curtailed.

Is that a general problem across the country? You testified that for practical purposes, we are out of the Northeast and other areas of the country with any kind of subsidy housing. I believe you said the Altanta region was taking about 30 or 40 percent of the Nation's allocations. Is that right?

Mr. GULLEDGE. With public housing, they do between 30 and 40 percent. It's not true of 235 and 236. They do substantially, but not that large.

Mr. FASCELL. What is the general application of that comment across the country?

Mr. GULLEDGE. I would say that in practically every major metropolitan area, it has a lot of validity. One of the real problems we are having in this country is that the cost of local government has accelerated so rapidly in comparison with the tax base that local government has available to it—particularly, in many cases, tax bases are being removed as industry relocates out to the suburbs, et cetera—that the net result is what is left to tax is principally residential.

When it comes to multifamily projects, the local taxload keeps getting higher and higher. We reach a point whereby the citizens who are willing to live there cannot afford to pay the rent it takes to keep the project viable.

One of the most appalling examples is one which I checked into about 18 months ago, so the figures may be a little off, but they were horrible then. In Newark, the local ad valorem taxes were 85 percent of gross rent—gross rent, 85 percent. What was left to manage and amortize? Nothing.

Therefore, we cannot build in Newark. It's absolutely impossible. I don't care what you do with mortgage limits. That is not the question. The people who live in Newark cannot afford to pay the rent that will pay the expenses, period.

Mr. FASCELL. That leads to my next question. A great deal of facts and figures were submitted for the record which were based on analysis of the Miami, Fla., housing market which allegedly is a report by the Department of Housing and Urban Development, FHA. Is that a central office analysis?

Mr. GULLEDGE. Was that a market analysis?

Mr. FASCELL. Yes, as of July 1, 1971.

Mr. GULLEDGE. It is done under the direction of the central office and usually and principally central office personnel with some local people.

Mr. FASCELL. That is not a contract function, is it?
Mr. GULLEDGE. No.
Mr. FASCELL. It's not a consultant contract fee?
Mr. GULLEDGE. It's not an out-of-house thing.
Mr. FASCELL. This is an in-house operation?
Mr. GULLEDGE. Yes.
Mr. FASCELL. Will there be, or can there be, a projection, automatic or otherwise, at what point in the Miami market, based on known factors, we will reach a line which makes it impossible to proceed with either subsidized housing or otherwise?
Mr. GULLEDGE. Of course, your greatest variable factor is the rate of increase of local taxes.
Mr. FASCELL. That is a pretty fixed factor. You can go back a number of years and project it.
Mr. GULLEDGE. The rate of increase does seem to be increasing, however. I agree with you. There is no reason why you couldn't make a forward projection on it.
Mr. THORNTON. Incomes are always changing, too.
Mr. GULLEDGE. You have to work with several variables. Incomes are changing and of course operating costs. In addition to taxes you have all the other expenses but those could be put into some reasonable projection.
Mr. FASCELL. From a management standpoint, frankly, I would be interested in that kind of a projection, just as maybe a working guide, given all of these variables that exist.
I would hate to come up to a sudden crunch. It might be useful to take a 5-year look, for example. That is all I am suggesting.
Mr. GULLEDGE. From a management standpoint, a lot of things make sense. From an administrative standpoint, dealing with the practical realities, it's very difficult to do them. We ran into a lot of flack in Detroit, Mr. Brown, when we attempted to indicate that there were some areas of the city that were becoming in such a condition that we didn't feel we should be insuring loans there anymore. There was an old practice called red lining years ago. Red lining is supposed to be done away with. We didn't want to reinstitute red lining. We thought we had very carefully couched the language to make sure nobody was going to be doing any red lining.
If you are asked to appraise a piece of property and there are maybe one or two houses left in that block; this is one of them and the rest of them are gone, what do you do? You turn it down. But don't you also, as a matter of conscience, go back to the office and indicate somewhere that this block is out?
That is what we wanted to do. The mayor of Detroit said there was no block in Detroit that wasn't a fit place for people to live. So you're off and running.
I can imagine the problems if we were to say our projections are that 5 or 10 years from now in South Miami the projection of all factors is such that we are not going to insure any properties now because 10 years from now we think you are going to have problems. You run into political realities.
Mr. FASCELL. I wasn't suggesting that. I agree with you that the red lining, where it was definite, created quite a problem. I lived with it

for a long time in our area because FHA just would not go below a certain line.

Mr. GULLEDGE. Without question, red lining is a poor practice. On the other hand, you have to institute some current administrative judgment.

Mr. FASCELL. It's called good people and brains.

Mr. Secretary, you talked about 275,000 fee actions for a year, I believe you said.

Mr. GULLEDGE. That is right for the fiscal year.

Mr. FASCELL. That is contract work, not in-house. What category is that?

Mr. GULLEDGE. There are three categories. We have appraisers, inspectors, mortgage credit examiners.

Mr. FASCELL. Is there any limitation on the amount of inspectors you can get? That is a big problem. The current image of FHA inspectors is a man who rides by in his car and waves at the project. I just say it's a current image. I didn't say it was right or that is what is really happening. Is there any limitation on the number of inspectors you can get?

Mr. GULLEDGE. Only within the bounds of some budget implications. I don't say the budget is a limiting factor. I think we have enough budget money to get all that we need. I don't view that as the problem.

The problem is one of getting some on-board personnel employees to supervise those people.

Mr. FASCELL. And make sure that they are competent.

Mr. GULLEDGE. Yes. We have instituted some things to try to make certain of that. For instance, now we do require a floor plan to be drawn of the property. You can't draw it from the car. We require——

Mr. FASCELL. Excuse me. Do you require a photograph of each individual house?

Mr. GULLEDGE. That is the next thing. We didn't used to require that. We bought about 1,500 Polaroid cameras and now we require photographs of the property and floor plans drawn so we at least think the man is getting out and looking at it and going into the building. We found we were getting a lot of windshield appraisals before.

Mr. FASCELL. That is part of your documentation process, as I understand, which you have instituted?

Mr. GULLEDGE. That is right.

Mr. FASCELL. I would say that is excellent, if it doesn't overwhelm you. I think it would be extremely important and useful.

Mr. GULLEDGE. A little stock in the file cabinet companies would be going up a little. It takes a few more files to hold all those papers. We think it's worthwhile.

Mr. FASCELL. We touched on this yesterday a bit. I would like to clarify it to be sure. Do you have any actions in your agency which came under the Administrative Procedures Act? I am talking now primarily of either rulemaking, adjudications or licensing? These are, as I understand it, adversary proceedings in which there are——

Mr. GULLEDGE. Let our associate general counsel respond on that.

Mr. DEWILDE. All of our regulations are put out under a rulemaking procedure. They are put out first for public comment.

Mr. FASCELL. You mean they are published in the Federal Register and public comments are invited and then a final version is published?

Mr. DEWILDE. Yes.

Mr. FASCELL. That is your rulemaking function?

Mr. DEWILDE. That is right.

Mr. FASCELL. Do you have a licensing function?

Mr. GULLEDGE. We do not license anybody. We do have a procedure for approving mortgage representatives. We will not do business with any mortgagee who doesn't meet our criteria.

Mr. FASCELL. That is not licensing?

Mr. GULLEDGE. No. It's merely an approval of his organization to do business with us, based on experience, capital and other things.

Mr. FASCELL. Does FHA issue any kind of letter or certificate to the mortgagee?

Mr. GULLEDGE. We give him a certificate saying he is an approved mortgagee representative.

Mr. DEWILDE. We do have hearings in the case of certain debarment actions. There is an appeals procedure which contemplates a hearing.

Mr. GULLEDGE. If we decide we don't want to do business with a builder or lender because of his character, representation or performance, then there is an appeals procedure where he can come in and say, "I got a bum rap. Here is my side of the story"—that sort of thing.

Mr. DEWILDE. Mr. Burstein reminds me that we have certain civil rights hearings, too, under title VI. They are carried on by the Assistant Secretary for Equal Opportunity, but they do involve FHA. We also have provision for hearings related to the regulation of interstate land sales.

Mr. GULLEDGE. We have Federal contract compliance regulations, too, that get into that sort of thing. There is a variety of those which are not under my immediate administration.

Mr. FASCELL. As I understood you yesterday, Mr. Secretary, your office averages around 50,000 items a year as complaints by letters.

Mr. GULLEDGE. Very few are complimentary.

Mr. FASCELL. Let's say complaints that are not in the category of either rulemaking, adjudication or licensing. They are just the normal administrative problems that FHA has to handle.

Mr. GULLEDGE. Yes. Everything from an inquiry as to how do I do something to a complaint—why did you allow this to happen. We get them all.

Mr. FASCELL. What is the relationship of FHA on the question of the recertification of a low income tenant on his income? Why and where does FHA become interested? What difference does it make? I don't understand.

Mr. GULLEDGE. The statute requires the Secretary to obtain a recertification at least every 2 years.

Mr. FASCELL. I understand that. But under the regulatory agreement with the lender, the lender is required to get that from the tenant. The only reason he does that is simply to comply with the statute because he has already been paid.

Mr. GULLEDGE. The relationship, of course, is that our agency is charged with the responsibility of seeing that that is accomplished.

Mr. FASCELL. I understand that.

Mr. GULLEDGE. We do that through the regulatory agreement.

Mr. FASCELL. I understand that, but it's only for the purpose of determining whether an individual is no longer eligible to live in a project. It has nothing to do with the lender and the money he has received.

Mr. GULLEDGE. Not necessarily, because, of course, they do not have to move out if their income rises.

Mr. FASCELL. They just lose the subsidy?

Mr. GULLEDGE. It reduces the subsidy if his income goes up.

Mr. FASCELL. But to whom? The lender has already been paid.

Mr. GULLEDGE. No. The tenant has to pay 25 percent of his income.

Mr. FASCELL. Whatever his income is?

Mr. GULLEDGE. That is right. He has to pay 25 percent of it, the difference. Let me give a specific illustration.

Mr. FASCELL. Go ahead.

Mr. GULLEDGE. Suppose market rent was $150. That is what it would have to rent for at a 7-percent mortgage. But with a 1-percent mortgage you could rent it for $100. That becomes basic rent. For anybody who is making $400 a month, 25 percent of that is $100. Therefore he pays 25 percent. He meets the basic rent.

Suppose he gets a raise and he is now making $500 a month; 25 percent of that is $125. He now has to pay $125. Who gets the additional $25. Uncle Sam gets it back. The sponsor doesn't get it. The mortgagor collects that and remits it to Treasury.

Mr. FASCELL. You went one step too fast for me.

Mr. GULLEDGE. All right.

Mr. FASCELL. That means that the sponsor has gotten all of his profit out of this project to start with because there is no way to increase any rent and it is all amortized because the lender has paid for it all. So what does the sponsor do?

Mr. GULLEDGE. Identify your sponsor—the builder or owner.

Mr. FASCELL. The owner?

Mr. GULLEDGE. The owner of this project.

Mr. FASCELL. What does he do? What does he get for doing it.

Mr. GULLEDGE. Of course he has caused the product to be brought into being.

Mr. FASCELL. How does he get his profit out of this?

Mr. GULLEDGE. Unless it's a nonprofit, you come back to the fact that it is a limited dividend.

Mr. FASCELL. If he is an individual?

Mr. GULLEDGE. He is still treated as a limited dividend entity. It's called limited distribution. He can get only a 90-percent mortgage.

Mr. BROWN. First of all, we have to recognize in any of these programs you can't be anything but a limited dividend sponsor.

Mr. GULLEDGE. That is right.

Mr. BROWN. That is the closest to profitability you can get.

Mr. GULLEDGE. A limited dividend sponsor can only get a loan for 90 percent of the replacement cost and the replacement cost is certified. All the costs that were incurred in building this thing were certified, signed, and notarized.

Mr. FASCELL. Does that include operation and maintenance?

Mr. GULLEDGE. No, that is just the original cost which establishes the mortgage amount. He has a 10-percent investment.

Mr. FASCELL. But that man already has his money, Mr. Secretary. No man is going to sit around for 6 percent, whether limited dividends or whatever you call it. I have sense enough to know that. He is already out in the clear or he isn't going to be in the project. He isn't going to sit there for 40 years and draw 10 percent on it. What is his incentive to stay in the project?

Mr. GULLEDGE. One of the principal incentives is one which the Congress created in the Tax Reform Act of 1969.

Mr. FASCELL. Which is?

Mr. GULLEDGE. Which is that they gave a double declining balance depreciation to that type of housing only.

Mr. FASCELL. Explain that to us on $100 thousand.

Mr. GULLEDGE. If the building normally would be considered to be a 40-year life building for depreciation purposes, ordinarily one-fourtieth of that would be taken off each year, or 2½ percent. Internal Revenue, acting under the statute, says that for this type of property he can take off 5 percent. He can have double the balance that he would normally have had. He can take twice the depreciation each year.

Mr. FASCELL. For how long? For 40 years?

Mr. GULLEDGE. Until the formula runs out. Ordinarily that loses its tax incentive basis between the seventh and ninth year on most projects, at which time he is no better off for having double declining balance depreciation than he is if he had gone straight. Therefore at the end of the seventh or eighth year you find many projects change hands.

Mr. FASCELL. There is something in this thing that doesn't meet the eye, as far as I am concerned. I am not saying there is anything wrong, but I am going to have to get a specific with the example that you have given me and then look at it very carefully.

Mr. MONAGAN. Will the gentleman yield?

Mr. FASCELL. Yes.

Mr. MONAGAN. First of all, this tax benefit applies primarily in the upper brackets—that is the 50 percent and over bracket—before the benefits become significant.

Mr. GULLEDGE. They become significant whenever you have a deduction for depreciation.

Mr. FASCELL. I don't see them building a limited dividend 236 project, Mr. Chairman.

Mr. GULLEDGE. They are investing in them quite extensively. As a matter of fact, there are several rather large syndicate operations today that are accumulating capital.

Mr. FASCELL. You just raised another interesting question.

Mr. GULLEDGE. It is a different type of the use of the word "syndicate," Mr. Fascell. This is not T and S Syndicate. There are operations, which are principally Wall Street based, wherein they are selling shares of participation in this equity because it does take a 10-percent investment. You can buy part of that for $5,000 and in the pass through you get your share of the depreciation, if it's worth anything to you.

Mr. MONAGAN. Isn't there also a possibility of a profit in a relatively quick turnover of the land on which the project is to be built?

Mr. GULLEDGE. Profit from sale would depend on the conditions at that time.

Mr. MONAGAN. The person in control of the property purchased at a relatively low cost can often turn around and sell it to a multifamily sponsor at a high profit; can he not?

Mr. GULLEDGE. There are no particular builder secrets so I won't tell anything that isn't general knowledge. Usually, if you have in mind to build a multifamily project, you obtain most of your profit as a consequence of a rezoning action. You buy land which was zoned for a less valuable use, and maybe buy it at $5,000 an acre. You can then get the thing rezoned. It may then be worth $10,000 or $15,000 an acre because now it has a higher use.

We have to recognize the current value of the land, not what the man paid for it. So we have to recognize and give him full credit for the value of the land because he is contributing something that is worthwhile.

Mr. FASCELL. That gets us back to the Green Hills project we were talking about yesterday, because that is exactly what was involved here. I think the 10 percent is covered in the amount of the financing to start with, plus the increase in the value of the land, plus the depreciation, plus the writeoff on interest and local costs while the project is under construction.

Now we are talking about something that is really worthwhile.

Mr. GULLEDGE. He gets to deduct as a business expense the interest he pays on a construction loan in the year in which he pays it.

Mr. FASCELL. Then all of this is fed into the computer, which comes up with "market rent or basic rent," which all increases the cost of the subsidy.

If that is true, what I am questioning is whether FHA ought to lend itself to the acquisition of land contingent upon rezoning for multifamily purposes.

Mr. GULLEDGE. FHA does not. We will issue no feasibility letter to anybody on any land that is not at that time zoned for it. Therefore, nobody can take a feasibility letter from us and use that as a lever on a zoning board and say rezone it because we can build it if you do.

Mr. FASCELL. I want to be sure about that because that specific question was raised in this Green Hills project 236. As I recall what you said, you said that application was processed originally, in this specific case, under the old criteria.

Mr. GULLEDGE. Yes, sir. I think the application was made in 1969.

Mr. FASCELL. But if the new criteria had been in effect it might have been a different story. It's hard to say.

Mr. GULLEDGE. That is right; it might be.

Mr. FASCELL. The local insuring office director said there were some 50 applications now pending on 236's and goodness knows how many around the country.

Mr. GULLEDGE. That is correct.

Mr. FASCELL. Did I understand you correctly to say yesterday that you were reviewing all of those, or calling all of those back in?

Mr. GULLEDGE. Those are the public housing applications which we returned.

Mr. FASCELL. I wanted to be sure.

Mr. GULLEDGE. Public housing applications work a little differently. They do not identify the site. FHA applications do.

Mr. FASCELL. Let's stay with the 236's. I have one question on changeover criteria. Are you going back now and picking up all the applications that were pending and might have been processed under the old criteria and reviewing them in terms of the new criteria which will become effective as of November 3?

Mr. GULLEDGE. From the beginning of this fiscal year, which was, of course, July 1, our offices have been instructed to apply the project selection criteria—which we have to use on an interim basis, because they are not official.

Mr. FASCELL. Right.

Mr. GULLEDGE. They are applicable to anything on which neither a commitment nor a feasibility letter has been issued. So every new application does.

But everything on which we have committed ourselves we do not feel it makes good administrative sense—nor could we or should we—to change the rules in the middle of the game for everybody.

Mr. FASCELL. That makes sense on its face. Let me see if I understand that. In other words, all existing applications of 236 will be measured as against the old criteria, not the new?

Mr. GULLEDGE. No, sir.

Mr. FASCELL. They will be measured as against the new criteria, notwithstanding the fact——

Mr. GULLEDGE. You have two types of applications. You have an application in which somebody has asked us to do something.

Mr. FASCELL. Like a letter?

Mr. GULLEDGE. It could be a letter or have more documentation than that. We haven't taken any official action on it. We haven't examined it. We haven't issued a feasibility letter and said this is OK, that we approve of that location.

Mr. FASCELL. But it is pending? When you accept it it's pending?

Mr. GULLEDGE. It's in the office. It's pending, sure. It's part of a pipeline of work to be performed. If we have performed that work, some work, and we have as a consequence of that issued to that sponsor a letter that says, "Your project is feasible, we will fund it if you submit to us appropriate working, drawings and everything turns out just as you have promised to make them be with your application, if it all turns out as you said it, then we will fund it."

Now, we have a commitment to this person. He is authorized to go ahead, based on that. He can go ahead and buy the land and hire the architect and do all these other things. So we can't change the rules on him.

Mr. FASCELL. Not when the commitment is issued.

Mr. GULLEDGE. We can't change the rules on him and then go back and say, "On the other hand, we said we liked that site back in May but we are looking at it again in October." We can't change our minds.

Mr. FASCELL. All I am trying to determine is at what point, with respect to the pending applications, the new criteria will be applied.

Mr. GULLEDGE. It will be applied to any of them that have not been funded.

Mr. FASCELL. Any of them that have not been funded?

Mr. GULLEDGE. Yes.

Mr. FASCELL. A letter of commitment is not funding?

Mr. GULLEDGE. No sir; a letter of feasibility is. A reservation of funds is.

Mr. FASCELL. What comes first?

Mr. GULLEDGE. The reservation of funds comes before the proceeding to finality and precedes the initial commitment and final commitment. A sponsor may have $100,000 or more front-end money in a project before he gets a commitment. He makes that investment of time and money based on our feasibility letter to him.

Mr. FASCELL. Your feasibility letter is issued at what point?

Mr. GULLEDGE. At the point when we have received his application, when we have done certain technical things with respect to it, when we have reached a decision in the office that this project is a feasible project, we would issue a commitment on it if he develops the rest of his plans, et cetera.

Mr. FASCELL. At that point the letter goes out?

Mr. GULLEDGE. Yes.

Mr. FASCELL. It's a commitment in a different sense.

Mr. GULLEDGE. It's a different terminology for a type of commitment.

Mr. FASCELL. Once that letter goes out, then whatever the criteria are at that point they are fixed. If a letter has not gone out, what you are telling us then is that the new criteria for 236 would apply?

Mr. GULLEDGE. As of July 1, any application that did not have a feasibility letter issued to it is subject to the new criteria.

Mr. FASCELL. I believe you also testified yesterday, Mr. Secretary, that under the old criteria there was no documentation, that this was simply a matter of judgment.

Mr. GULLEDGE. No, sir. That might be misleading, if I said it.

Mr. FASCELL. Or limited documentation?

Mr. GULLEDGE. Documentation which was not of the type which normally would have indicated to you why you did something. It would have been factual documentation, but the conclusions would not have been stated and spelled out, and so forth and so on. You would have to go back and look as of the same day and arrive at an independent conclusion and see whether or not you agreed with the fellow.

Mr. FASCELL. Or inquire of him if he can remember why he did something.

Mr. GULLEDGE. Surely.

Mr. FASCELL. What you are talking about now in terms of documentation on the application of the new criteria 236 you will have the conclusions and the reasons along with the basic documents that went in the application of the criteria that led to a feasibility letter?

Mr. GULLEDGE. Let's take the very first item, which is need—will the project meet the needs of the people? You can't say yes and leave it at that. You have to say yes because the vacancy factor is so and so. Or he has to have some other proof to go along with it. He has to have something besides just a yes or no.

Mr. FASCELL. I just want to refresh my memory and be sure that I have it straight in my own mind. Again I am using this specific project because it illustrates the point. It is a general question, of course.

In the Green Hills project, based on statements, allegations, and questions that were raised, let's put it that way, Senator Chiles and I submitted a request to the Secretary that, I believe the exact language was, "continuing project approval be deferred."

You testified yesterday that there is no way you can stop construction because FHA is not involved in the construction. All you are doing is insuring the lender, as I understand it, in the 236?

Mr. GULLEDGE. That is the principal relationship that exists on that particular point.

Mr. FASCELL. I further understood you to say that once a commitment has been made, I wasn't sure whether you were talking about that feasibility letter or the initial commitment, whatever that is——

Mr. GULLEDGE. Either one.

Mr. FASCELL. That this was a binding legal obligation on the part of FHA which would not or could not be unilaterally abrogated, except in cases of fraud.

Mr. GULLEDGE. Yes; in cases of fraud. Once the commitment has been issued we have to stand behind it unless fraud is indicated. Otherwise there would be no faith in the ability of the Government to carry out its promises. It would be another broken treaty.

Mr. FASCELL. I want to ask you a question on mixed occupancy and 236 projects. That is nonsubsidized tenants and subsidized tenants?

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. With the consent of all parties, is it possible to remodify or to modify 236 projects as far as FHA is concerned? In other words, if the lender and the builder agree on a modification of the proect, how does FHA come in?

Mr. GULLEDGE. It would depend on what the purpose of the modification would be.

Mr. FASCELL. Supposing a project is approved or commitments issued on a totally subsidized basis and then afterwards it's determined by agreement that maybe it would be better to change the ratio. Am I talking the right language?

Mr. GULLEDGE. You are talking the right language.

Mr. FASCELL. Is this possible?

Mr. GULLEDGE. It is not only possible but we encourage it. We encourage it very much.

Mr. FASCELL. I didn't know that.

Mr. GULLEDGE. Incidentally, the statutes require us to insure the whole mortgage on the building. That is the language of the statute.

Mr. FASCELL. You can't insure parts of it?

Mr. GULLEDGE. Nor can we apply a 236 on just part of it. We have to apply it to the whole building, as if the entire thing were going to be subsidized, and everybody in it, at basic rent. So we start off with that basis.

But we encourage an economic mix. And we encourage an active recruiting on the part of management to attract into it people who are not going to be subsidized. Ideally, you do have a substantial number of people in it who are not subsidized.

More surburban types of 236 projects achieve that much more easily than do the central-city types.

Mr. FASCELL. Does this take any document changes or modifications to do it?

Mr. GULLEDGE. No.

Mr. FASCELL. In other words, it's simply up to the sponsor to do it if he wants to, or he can do it. FHA doesn't have to rewrite documents, does it?

Mr. GULLEDGE. No. We don't do that because that is not part of the regulatory agreement at all.

Let me confer a moment on the statutory proposition.

They can rent it to anybody they want to. You simply have to get 25 percent of their income.

As Mr. Thornton tells me, if they are willing to pay the market rent, we require no income certification. The income certification is only if they are going to get some kind of subsidy where they would pay less than market rent.

Mr. FASCELL. Mr. Secretary, I thank you again. I appreciate the immediate attention which you gave that problem on the 235 for Mr. and Mrs. Cullen. Whatever action you can take, I am sure we will all appreciate it.

Mr. GULLEDGE. We are very anxious to take the required and necessary action.

Mr. FASCELL. I want to thank you for your prompt attention.

Mr. GULLEDGE. Yes, sir.

Mr. FASCELL. Thank you, Mr. Chairman.

Mr. MONAGAN. Mr. Thone?

Mr. THONE. Thank you, Mr. Monagan. Noting the lateness of the hour, I will be very brief.

Mr. MONAGAN. Go right ahead.

Mr. THONE. I don't know that I have the background, Mr. Fascell, that you have in this area. By the way, it has been very informative and interesting to me.

Mr. FASCELL. Thank you.

Mr. THONE. I appreciated, Mr. Monagan, your primer on what is subsidized housing and what is unsubsidized because, frankly, I was a little confused yesterday and I didn't want to express my ignorance.

Mr. FASCELL. It sounds like it's all subsidized to me.

Mr. BROWN. Mr. Thone, will you yield?

Mr. THONE. Yes.

Mr. BROWN. If the Lockheed guarantee was subsidization, even FHA is subsidization.

Mr. GULLEDGE. The Secretary has observed that since the Internal Revenue permits every homeowner to deduct as part of his expense the interest paid on the money borrowed, Uncle Sam is subsidizing everybody.

Mr. THONE. Mr. Gulledge, I would like to observe that you are a most responsive, most knowledgeable, and most articulate witness. I am sure the subcommittee is appreciative of this.

Mr. GULLEDGE. Thank you.

Mr. THONE. How long have you been the Assistant Secretary for Housing, Production, and Mortgage Credit and Commissioner of the FHA, Mr. Gulledge?

Mr. GULLEDGE. Two years and 12 days. I was sworn in at 11 o'clock on October 2 so we can add 47 minutes.

Mr. THONE. I would hate to get into a trial with you as the expert witness and Mr. Fascell as the counsel.

Frankly, I think the Department is in very good hands.

Mr. GULLEDGE. Thank you.

Mr. THONE. Regarding the housing starts for 1971, you have indicated that there will be over 2 million this year.

Mr. GULLEDGE. Approximately, I think, is what I said. Somewhere between 1,975,000 and 2,025,000, something like that, I would say plus or minus 25 thousand of 2 million.

Mr. THONE. This would be an all time high?

Mr. GULLEDGE. Yes sir.

Mr. THONE. As I understand it, in 1950 there were 1,900,000-some starts.

Mr. GULLEDGE. 1,960,000, as I recall it.

Mr. THONE. I think this has been covered already, but in 1970, using your definition of "subsidization," about 40 percent of these housing starts were subsidized.

Mr. GULLEDGE. Calendar 1970, yes, sir.

Mr. THONE. In calendar 1971, approximately 33 percent?

Mr. GULLEDGE. Yes, sir.

Mr. THONE. Do you have any projection for 1972 in regard to this?

Mr. GULLEDGE. Our level of subsidized housing remains the same. With the total increasing therefore, subsidized units will probably run somewhere from 27 to 30 percent of the total for the next year.

Mr. THONE. That is what I was coming to. I know you don't have a crystal ball, but approximately what would you project the housing starts to be in calendar 1972?

Mr. GULLEDGE. 2,200,000, 10 percent above this year.

Mr. THONE. That is all I have, Mr. Chairman.

Mr. MONAGAN. Thank you, Mr. Thone.

Mr. Secretary, when you responded to the subcommittee's August 30 letter, you said:

> In cases of special need or urgency the central office might redistribute contract authority among the regions.

Is this what is called Operation Quick Start?

Mr. GULLEDGE. No, sir. Operation Quick Start was a program which we put on in the late fall of last year. We have always had a regulation which permitted a sponsor to begin construction prior to the final papers being signed if all the decisions relative to these papers have been made. But, due to some holdup, either the attorneys couldn't get there or something else, or there was some special reason why he wanted to go ahead and get started, we would permit him to do so. Operation Quick Start was a rather strong administrative effort to let sponsors know that they could do so under those conditions in the latter part of the calendar year when some of them might be facing cold weather problems and this sort of thing and would like to get started quicker.

Mr. MONAGAN. Is there any information as to the extent to which this reallocation was done during the last 3 years? Would you have figures on that?

Mr. GULLEDGE. Reallocation, as we think of it, Mr. Chairman, is something we are sort of doing almost every week, if you had to get down to the fact that any time some money is added to somebody else's or taken away from somebody else's collectively.

Mr. MONAGAN. I am thinking more in relation to regions. We have talked about comparisons between regions.

Mr. GULLEDGE. How extensive do you think our movement between regions would be?

Mr. BARUCH. When we have actually taken away from one region and added to another.

Mr. GULLEDGE. If we took money out of Hartford and put it in San Antonio——

Mr. FASCELL. Or Miami.

Mr. BARUCH. If it was between the 10 regions, it would not be too extensive. If we had to do it for all 77 offices there would be thousands of transactions.

Mr. GULLEDGE. I think our movements between regions could probably be documented for you without a great deal of difficulty. To go between the offices themselves, there would be many thousands of transactions. We would be glad to supply movements between regions for you.

Mr. MONAGAN. Fine.

(See app. B, p. 122.)

Mr. MONAGAN. You said also in that same reply that 200 reservations of contract authority under the 236 program had been canceled since the beginning of the program and also that it would be difficult, if not impossible, to estimate the amount of delay that had been occasioned by these cancellations.

Do you have any information as to what period there was between the award of the reservation and the cancellation of the authority?

Mr. GULLEDGE. I imagine we could document some of that, Mr. Chairman. We would have to go back to the files on the individual cases and try to get that.

Mr. MONAGAN. Would you look into it?

Mr. GULLEDGE. We will look at it and give you some feel for it.

Mr. MONAGAN. If it can be done without too much difficulty.

Mr. GULLEDGE. All right.

(See app. A, p. 119.)

Mr. MONAGAN. Mr. Still?

Mr. STILL. There is one question that does concern us, Mr. Secretary. I don't know whether these figures are available. You commented on the problem of 236 projects in the ghettos or core cities. There are, of course, suburban 236 projects.

What we seem to be sensing here—I wonder whether you would have any comment on this—is that the nonprofit route is being used almost entirely for 236's in the core city whereas the limited dividend entity is being used in the suburbs.

Does this seem to be an emerging problem in terms of the technique illustrating the difference in sponsorship motives, et cetera, that may be involved?

Mr. GULLEDGE. I think Washington, D.C., would be a good case to look at in that respect because it has been in the papers very recently. The Renewal Land Agency here in Washington, D.C., has been trying since the riots of 1967 to get rebuilding done in the central city. They have been trying to use the nonprofit organization route. A little rebuilding has been done using those sponsors. They commissioned an outside consulting agency to come in and tell them what they were doing wrong. The conclusion, as published in the local paper, was that the thing they are doing wrong is trying to take a very complicated process, that is of producing housing, and get it done by people who don't have the sophistication to do it. They recommended to them that they abandon the approach that they were going to get all the housing built by well-intentioned community organizations, whether they were put together as civic groups for the purpose or whether they were existing institutions, such as churches.

Instead, they changed their thrust and started using the limited dividend type of sponsorship, where possible a blend of the limited dividend in some way with the community institution in order to get the job done.

One of the problems that leads to what you have said is that a great many of the central city things have been done by community groups because model cities, for instance, are very heavily committed to the citizen participation route. The fact that the nonprofit can get what I call a 102-percent mortgage, can get front money advanced to him, we find that it's pretty easy for a nonprofit organization to say, "I would like to produce the housing." It's much more difficult for them to produce it, but it's easy for them to get their name on the line and say they want to produce it. I think that is a large part of the reason why we have had a substantial number of central city units actually produced by nonprofits.

There is another factor. I think we have to be very cognizant of this. Many outside organizations, meaning outside of the central city people, simply are not welcome. Outside building firms trying to build in the central city face a continuous process of vandalism and destruction, requiring the installation of chain link fences all around the project, the hiring of 24-hour security guards—a tremendous number of problems merely to try to be in there and build the housing.

If the people building it happen to be from within that community themselves, they don't have nearly this much resentment and nearly this much problem. That is another factor. Many a profit-motivated organization simply doesn't want to go into the central city for these reasons.

Mr. FASCELL. This question has been raised many times with builders. The community attitude is one, either way going into the central city or going out to the suburbs. The question of vandalism and delay in gearing up and all these problems that a builder faces just seems like it works against him. Would it be feasible to provide some kind of an inducement to a builder to undertake these kinds of projects? Could you adequately compensate him is what I am trying to say?

Mr. GULLEDGE. We have no present regulations or procedures which would allow him to have any more compensation than the mortgage can afford. Any legitimate costs which would be necessary for the building of that structure we can allow. But we cannot allow that structure to cost any more money than the rent to be achieved and the subsidy available would amortize.

Mr. FASCELL. By law could we give you some method of inducing the builder to go into these areas?

Mr. GULLEDGE. I think it would be possible to have some type of fund available under certain conditions which would permit the expense of hiring these security guards and the chain link fences and all the other things which would be necessary in order to physically get it up.

I know some builders who have been trying to work in Camden. They say that you cannot have anything loose overnight. You have to lock everything up, including materials. You have to put night watchmen there and put them under floodlights. People will come in and take things out at night and go in and rip out your copper water pipe and pull your electric wires out and steal anything that is not nailed down tight. That is a considerable amount of extra expense.

If the mortgage won't afford that extra expense, it's a dead project. He just can't build it. If we had any other fund from which to compensate that extra expense——

Mr. FASCELL. You could write in extra expenses for security factors. That might be one way of handling it.

Mr. GULLEDGE. It would be one approach. I think we could probably come up with something, perhaps, a little more sophisticated if you would like for us to think about it.

Mr. STILL. Mr. Secretary, we certainly appreciate your comments about the level of understanding and attitudes in the area insuring offices, and I have a series of, I hope, very short questions in terms of the area personnel's understanding and input into the allocation process. One, of course, which gave us some concern, is could you expand a little bit on how an area office would go about estimating next year's starts? As I understand it, this is cranked into your formula.

Mr. GULLEDGE. First of all, there are personnel in the area office who as a consequence of long exposure to the local situation have accumulated data which deals with the housing industry, deals with the economy, deals with the financial industry, deals with the total housing industry as it is in that area. There are factors which the economists can use which would tend to indicate the amount of growth which is anticipated the next year and to crank all of these things in, even including surveying builders on what their plans are. We have had our surveys also cover what are the inhibiting factors to achieving a certain amount of production.

For instance, around here one of the inhibiting factors has been the fact that sewage-treatment plants were not adequate. Therefore, a moratorium was placed on new building permits because of that. Any office that knows that situation, and these are not secret things, can modify whatever their projection of starts is based on local conditions. It is an educated guess at the best, but it is not simply made in the abstract. It is based on a number of evaluations of local pertinent data which would tend to indicate what they could feel would be the starts level. And then you develop a track record of having made a projection and go back and find out how you did, with experience you tend to refine it. We have found that our projections come out very close.

Mr. STILL. There will be inevitably variations from area to area office depending upon their ability and the accuracy of information.

Mr. GULLEDGE. That is correct. We do a supervisory review of that at the Washington level hoping to compensate for what we obviously know are varying capabilities and experiences, so Mr. Thornton's shop has some national criteria they can apply to that and put some corrective factors on them when they get too far out.

Mr. STILL. I wonder if I could tie that into the chairman's question. I am certainly not picking at your personal efforts. I believe you stated you were going to Hartford in November to discuss with the local builders and the mortgage bankers their reasons why they were not interested or had not been in the program. With emphasis on production at this point; since it is an essential factor that goes into your formula, if there is an area in the country for a variety of reasons, some valid, some possibly questionable, that has not participated in the 235 or 236 program, if in fact the regional administrator charged with the responsibility of trying to make these programs available to all interested in it because of difficulty in getting that kind of experience level going, let's say region 1, would lose his commitment or his allocation by virtue of the fact that he hasn't been able to put it in production, and it seems to be the present system, assuming we are making progress in developing capability and understanding, tends to be weighted in favor of the southern region where single family home building has been a tendency.

Is there any way for adjusting or allocating back to those areas where you can get a breakthrough through greater understanding renewed interest in the program?

Mr. GULLEDGE. Surely. I will give you a typical case, Tulsa, Okla. Last year the industry around there was not interested. We had some meetings. They got interested. They got interested with a great missionary fervor. The net result is they made a rather strong request to allocate some more 235 down here because we have now all of a sudden gotten people wanting to build and our past track record is no criteria of what we are going to do. Well, we were able to give them additional 235 and they did use it well and they then have made an improved track record. So we have enough flexibility in the process to be able to be responsive in any of those types of cases.

Mr. STILL. This question would go to the regional administrator's ultimate authority under the reorganization and decentralization plan. Do you contemplate moving in the direction of permitting a regional administrator to reallocate within his region after receipt of his initial allocation?

Mr. GULLEDGE. This is about the third refinement of that cut at the moment.

Mr. STILL. In the future, would you estimate as the program gets more sophisticated and criteria are more stable, that the regional administrator will in fact have more authority?

Mr. GULLEDGE. We have no philosophical objection to that. Our practical problem is generating the capacity to have access to the data and to perform the calculations and do all the other things. These are rather extensive. We have a good many people spend a good many weeks, stretching into months, at the central office using sophisticated equipment to arrive at all these figures.

There is a real administrative question whether or not such a highly specialized thing should be broken up into 10 pieces and expect 10 organizations to do it. They could, but I would still then have the administrative problem of trying to evaluate the data which each of the 10 regions came up with. When they got through all they would have would be essentially the same data that we come up with now. They would have given it the prior administrative refinement at their level rather than us making the first cut and them then making the administrative refinements. We would still wind up with essentially the same problem of trying to take the needs of 10 cities in a certain region and 10 offices in a certain region and measure them against the national total pot: Do the 10 offices in that region constitute 17 percent of the pot, 9 percent of the pot, or what? We would still have that because we have one national pot to be divided. Whether divided in 10 pieces or seven pieces, you still have to do some type of formula which has some relativity to it.

So we like to feel that the time would come when there would be that much sophistication, and training, and so forth in the regions. We have no objection if it is. We know it is not there now. A year or two down the road we might be able to do it.

Mr. STILL. One other question here and I think you have really answered it many times but I would like to lay it to rest because it does seem to keep coming up in terms of area office understanding. This is the matter of initial fund reservation versus your new criteria now in 235 and 236. The statement is frequently made that the initial fund reservation is dependent upon basically that the builder applicant had control of the land, which was defined in a very broad way, either an option or variety of other means which satisfy the regional office or area office that he in fact did have a site; fitting into your broad criteria, and then from that point on it became a fund reservation. It goes quite a bit, I think, to Mr. Fascell's questions.

It is my understanding with the new criteria there is no longer an initial fund reservation based upon a mere showing of control of the land by the applicant. In other words, control of the land meant only that he had an option on a site. All the zoning, all of the necessary conditions to make this site fully approvable as a firm commitment, had to be taken care of by the builder prior to the issuance of the firm commitment or start of construction. I am just trying to clarify that that was part of the old criteria.

Mr. GULLEDGE. Of course, there never has been an earmarking or reservation of funds based merely on the fact that somebody had a site which we approved of and he controlled. There were a number of other technical determinations that had to be made before we would issue a feasibility letter. He did have to have control of the site. It did have to have already appropriate zoning but it also had to have certain amenities. It had to have public transportation if that is what was required. It had to have the community facilities that would be normal to be expected, the shopping, the recreational activities, educational opportunities, employment opportunities. It had to have all of those things, too, all of which are reviewed and found to be satisfactory before we would issue a feasibility letter, at which point an earmarking of funds takes place.

Now, under the Project Selection Criteria we will have to take all of those things into consideration which I have just mentioned, plus the additional ones, and I pointed out that 3 or 4 years ago we couldn't even spell ecology and now we have to include it in all of our criteria, so we have the additional criteria which have to be applied. The Project Selection Criteria process establishes a priority of funding. It does not supplant or take the place of the feasibility determinations.

Mr. STILL. Would that be your priority registration system?

Mr. Gulledge. No; the Project Selection Criteria are the eight points we covered. Those are part of the feasibility determination. They become a threshold. You have to get adequate or superior—you cannot get a poor rating on any of them—in order to be considered for funding but when you have passed that threshold you still have to get the feasibility determinations, so this Project Selection Criteria kind of gets in the front end of the feasibility determination.

Mr. Still. Thank you, Mr. Secretary.

Mr. Monagan. Thank you very much, Mr. Secretary. It may be that there will be other questions that we would submit to be answered for the record.

Mr. Gulledge. Be delighted to do so.

Mr. Monagan. And we are grateful to you for coming and also to your staff of experts who have been ready to answer any complicated questions. Apparently we weren't able to think up too many that required recourse to all the experts here, but we hope to remedy that as time goes by.

Mr. Gulledge. Fine.

Mr. Fascell. Mr. Chairman, you could turn that around and just say the Secretary is so competent he didn't need them.

Mr. Monagan. Well, that was the implication of my remarks and if it isn't clear I will certainly say that, that your understanding and control and scope of knowledge of this program is impressive and we are grateful to you for letting us have the benefit of your thoughts in such a frank way. I know for our part and I think for the others we have had a very constructive interchange and it is my hope that we can continue to do this as time goes by for the benefit of the program. So thank you very much.

Mr. Gulledge. Thank you, sir.

Mr. Monagan. We will adjourn this hearing.

(Whereupon, at 12:13 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.)

APPENDIXES

Appendix A.—Correspondence From the Department of Housing and Urban Development

Department of Housing and Urban Development,
Federal Housing Administration,
November 8, 1971.

Hon. John S. Monagan,
Chairman, Committee on Government Operations,
House of Representatives, Washington, D.C.

Dear Mr. Chairman: At the recent hearing before the Committee on Government Operations, committee members asked that I provide certain information for the record. The requested information follows.

On page 150 of the transcript, Representative Dante Fascell and I were discussing the use of section 23 leased housing authority in connection with a section 236 project and the Representative asked if there were a problem under such an arrangement in that it might involve a double subsidy. Mr. Fascell then asked that if there were a problem, would we give him some information to show the extent of it.

There is no problem of a double subsidy when the section 23 leased program is used in connection with a section 236 project. In such a case, the housing unit is rented at the market rent and the only subsidy utilized in the section 23 subsidy which pays the difference between the market rent and the rent paid by the public housing tenant. On page 182, Mr. Chairman, you and I were discussing cancellations of section 236 reservations of contract authority and an estimation of the delay occasioned by such cancellations. You asked for information as to the period of time between the award of reservation and the cancellation of the authority.

We have recorded 210 cancellations of section 236 contract authority reservations, totaling approximately $20 million. Our records show 168 of the cases have dates for both the preliminary reservation and the cancellation. The shortest period between those dates was 1 month, the longest was 18 months, and the average was 7 months. The majority of the cancellations occurred prior to commitment application which requires a fee. A number of cancellations occurred, however, during and after commitment processing. These latter cases tend to increase the average time period.

May I again thank you and the committee members for your courtesies and express my pleasure at being able to provide you with this additional information.

Sincerely,

Eugene A. Gulledge.

Appendix B.—Answers of Department of Housing and Urban Development to Additional Subcommittee Questions

October 19, 1971.

Mr. Eugene A. Gulledge,
Assistant Secretary-Commissioner, Housing Production and Mortgage Credit Department of Housing and Urban Development, Washington, D.C.

Dear Mr. Gulledge: Your prepared statement and your answers to questions by members of the subcommittee at our hearing on October 13 and 14 were valuable in illustrating the operations of the Federal Housing Administration, and your efforts to aid the subcommittee in its overview of this important segment of the Department of Housing and Urban Development are greatly appreciated.

Enclosed are additional questions which we would like to include in the printed hearing. We would appreciate your submitting these answers by November 2, 1971.

Very truly yours,

John S. Monagan, *Chairman.*

Department of Housing and Urban Development,
Federal Housing Administration,
Washington, D.C., November 5, 1971.

Hon. John S. Monagan,
Chairman, Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives, Washington, D.C.

Dear Mr. Monagan: This is in reply to your letter of October 19, 1971, requesting additional material for inclusion in the subcommittee's printed hearings.

The material requested is arranged as a separate enclosure for each major question area included in your letter.

I trust this information will be helpful.

Sincerely,

Eugene A. Gulledge.

Question 1. We touched on the subject of priority commitments at our hearing. Could you please expand on your explanation of "priority registration"?

Is there a possibility that this registration procedure will cause seasonal spurts in housing starts to take advantage of each new 235 allocation to an FHA insuring office?

Answer. Priority registration.

The preliminary reservation system is a promise to a builder or developer that contract authority will be held for a specific length of time so that applications from eligible purchasers of a specific number of the properties which he plans to build can be approved, if they are submitted within a specific time period.

This gives assurance to the builder that he can proceed with his plans and that there is contract authority on hand to honor our promises.

Priority registrations, on the other hand, represent promises by HUD to builders that applications from eligible purchasers of their housing will be given priority consideration for future contract authority.

Priority registrations permit builders to proceed with their development plans in periods when actual contract authority is not available.

In practice, preliminary registrations are used when contract authority is available. Priority registrations are used when it is not.

Common use of the priority registration system is when the Department is operating on a Continuing Resolution. Therefore, the initiation of the priority registration system was designed to maintain program continuity at times when contract authority is exhausted. This permits us to avoid artificial spurts in production due to artifically timed releases of contract authority.

Question 2. At the hearing I expressed my interest in knowing what part of housing starts are under HUD subsidized programs and what part is unsubsidized.

Could you give us a breakdown for the first 9 months of 1971?

If not, in how many months of 1971 are such figures available?

Are such statistical breakdowns available monthly?

Answer—U.S. HOUSING STARTS BY SELECTED CATEGORIES, 1971

	January	February	March	April	May	June	July	August [1]	1st 8 months
Total new starts (including farm) [2]	114, 800	104, 600	169, 300	203, 600	203, 500	196, 800	197, 000	203, 700	1, 393, 300
HUD involved	34, 569	31, 494	37, 018	52, 115	46, 944	61, 672	57, 866	50, 636	372, 314
FHA	31, 597	27, 307	33, 470	44, 514	40, 726	46, 113	43, 146	45, 636	312, 499
Subsidized [3]	15, 538	17, 791	15, 799	24, 424	19, 758	20, 637	24, 843	21, 048	159, 838
Other	16, 059	9, 516	17, 671	20, 090	20, 968	25, 476	18, 303	24, 578	152, 661
LRPH	2, 804	3, 798	3, 228	6, 876	5, 595	14, 915	12, 829	3, 943	53, 988
Other [4]	168	389	320	725	623	644	1, 891	1, 067	5, 827
USDA involved (subsidized)	4, 093	4, 262	6, 032	6, 130	6, 522	13, 361	1, 583	7, 119	49, 102
VA involved [5]	(4, 641)	(4, 684)	(6, 902)	(8, 520)	(8, 367)	(9, 268)	(9, 204)	(9, 441)	(61, 027)
Converted to subsidized [5]	(1, 159)	(1, 072)	(994)	(1, 043)	(1, 242)	(1, 084)	(1, 041)	(969)	(8, 964)
Other guaranteed	3, 482	3, 612	5, 908	7, 477	7, 125	8, 184	7, 803	8, 472	52, 063
Total Government involvement	42, 144	39, 368	48, 958	65, 722	60, 591	83, 217	67, 252	66, 277	473, 479
Subsidized	22, 603	26, 240	25, 379	38, 155	32, 498	49, 557	41, 146	33, 177	268, 755
Unsubsidized	19, 541	13, 128	23, 579	27, 567	28, 093	33, 660	26, 106	33, 050	204, 724
All other new starts	72, 656	65, 232	120, 342	137, 878	142, 909	113, 583	129, 748	137, 473	919, 821
Rehabilitated units started	2, 407	2, 600	2, 769	3, 242	2, 762	4, 793	3, 345	2, 661	24, 579
HUD involved	1, 769	1, 914	1, 942	2, 414	1, 933	3, 030	1, 762	1, 647	16, 411
FHA	414	463	684	896	701	1, 288	218	625	5, 289
Subsidized [6]	414	463	684	745	701	1, 288	161	619	5, 075
Other				151			57	6	214
LRPH	265	459	264	443	128	759	354	16	2, 688
Other (sec. 115/312)	1, 090	992	994	1, 075	1, 104	983	1, 190	1, 006	8, 434
USDA involved (subsidized)	638	686	827	828	829	1, 763	1, 583	1, 014	8, 168

[1] Preliminary.
[2] As estimated by the U.S. Bureau of the Census.
[3] Sec. 221(d)(3) BMIR, sec. 235, sec. 236, and rent supplements.
[4] Sec. 202, college housing (faculty and married student apartments), and uninsured State projects.
[5] Units started under VA inspection and insured under sec. 235 represent a double count by VA and FHA; they are included in the FHA figures and are unduplicated in all totals involving both VA and FHA data.
[6] Sec. 221(h), sec. 235, rent supplement, sec. 221(d)(3) BMIR, and sec. 236.

Source: Department of Housing and Urban Development, Housing Production and Mortgage Credit-FHA, Division of Research and Statistics, Research Branch, Oct. 28, 1971.

Question 3. On the subject of reallocation of commitment authority for subsidized housing programs among regions, Mr. Baruch stated that reallocations among regions was not extensive. Would you please supply a breakdown showing the initial allocation for each region and the extent to which commitment authority was increased or decreased in fiscal years 1969, 1970, and 1971?

Answer. Reallocation of authority between regions.

As indicated in testimony before the committee, there have been relatively minor reallocations of subsidy authority between regions. The only such reallocations occurred in the section 235 program resulting from the need to respond to emergency situations, that is Hurricanes Camille and Celia, and a recapture of available funds as a preliminary step in making a general distribution of authority. The reallocation of recaptured authority in such cases loses its identity in the subsequent distribution of a greater amount of authority.

Question 4. We are interested in the evolution of your approach to the allocation of subsidized housing commitments. To help us understand this evolution, perhaps you could summarize some of the experiences that have led to the adoption of your present allocation method.

Answer. Evolution of system of allocating contract authority.

It is correct to say that the present system used for the distribution of contract authority for the subsidized housing programs did evolve through a series of changes in distributional methodology.

	Fiscal year 1970 (Camille) September 1969		Fiscal year 1970 (recapture for general distribution)	Fiscal year 1971 (recapture for general distribution)	Fiscal year 1972 (Celia) August 1971	
	Recapture	Allocation	March 1970	October 1970	Recapture	Allocation
Region:						
I	$128,000		$320,000	$612,930	$113,750	
II	400,000		1,016,000	1,742,656	227,500	
III	350,000		100,000	978,016		
IV	100,000	$606,200			182,000	
V	250,000				182,000	
VI	150,000	1,091,000			182,000	$910,000
VII				61,588		
VIII	85,000				40,640	
IX	325,000			31,901	81,280	
X						
Total	1,788,000	1,697,200	1,436,000	3,427,091	1,009,170	910,000

Under the section 236 program, the initial allocation of contract authority was made to the regional offices. This allocation was based on the distributional percentages already in effect for the section 221(d)(3) BMIR program. The BMIR distributional approach was based on the number of families in each region with incomes between $4,000 and $7,000, and cumulative allocation experience for each region against the cumulative allocation experience for the Nation.

In July of 1969, the BMIR percentages were revised to include the existing backlog of requests for section 236 reservations.

In December of 1969, the multifamily housing programs were decentralized from the regional to the insuring offices. The method for distribution to the offices was developed utilizing occupancy potential (double weighted), utilization of the section 236 program to date by each office, and existing backlog applications for section 236 and BMIR.

As the section 236 program expanded, the BMIR input was dropped from the methodology. The other factors were periodically updated and proposed distributions were submitted to the regional office for review, comment, and recommendation.

In January of 1971, the system described in my testimony was put into effect and the principal modification since that time has been to put increased emphasis on the need factors as compared to the production factors.

Under section 235, the initial allocation of contract authority was handled directly in central office. Initial reservations were made on a first come, first served basis, and this eventually was modified to permit each office to set priorities for the reservation requests submitted to central office.

In July of 1969, the distribution of contract authority was decentralized to the insuring offices. The factors involved in allocating the contract authority to the insuring offices involved families within the income range served by section 235, the existing 235 backlog in the field, and program activity under section 221 (d)(2) and 203 in the comparable price range served by section 235.

As contract authority became available for distribution, the factors utilized were updated. Also, proposed distributions were reviewed by the regions for comments and recommendations.

In January of 1971, the present system for allocation of section 235 contract authority described in my testimony was put into effect and again the change since that time involved a greater emphasis on need as compared to production capability.

It should also be noted that on July 7, 1970, we instituted the utilization of early feasibility under section 236, and on October 21, 1970, we instituted the utilization of priority registrations under section 235. These systems permitted the industry to maintain production continuity based on anticipated appropriations. The establishment of this continuity was essential in view of the normal cycle of congressional appropriations which occur usually in the fall, when for planning and development purposes, it was essential that the industry have knowledge that the appropriations would be available to it in the spring.

Question 5. Your definition of "needs" as a criterion for allocation of commitment authority is complex. Could you illustrate by reference to one or two specific areas or insuring offices how this criterion is applied?

Answer. Calculation of "Needs".

Application of a test of "needs" in various jurisdictions for use in determining an equitable distribution of available housing subsidy resources is accomplished by a series of mathematical calculations which accomplishes the following:

1. All households in each housing market are distributed between owners and tenants by age of household head, by income groups, and by condition of housing (standard and substandard).

2. The income levels which can be served by public housing and section 236 programs are identified in these distributions.

3. Fixed percentages of various classes of households are calculated as assumed 1-year potentials for absorption of subsidized housing, as follows:

(*a*) 12½ percent of low-income two-or-more-person nonelderly tenant households in substandard units;

(*b*) 5 percent of two-or-more-person nonelderly low-income tenant households in standard units;

(*c*) 12½ percent of elderly, one-person, low-income tenant households in substandard units;

(*d*) 7 percent of elderly, one-person low-income tenant households in standard units;

(*e*) 8½ percent of elderly, two-or-more-person, low-income tenant households in substandard units;

(*f*) 3½ percent of elderly, two-or-more-person, low-income tenant households in standard units;

(*g*) 5 percent of all nonelderly, two-or-more-person households within section 235-6 income range;

(*h*) 7 percent of elderly one-person tenant households within the section 235-6 income range;

(*i*) 3½ percent of elderly, two-or-more-person households within the section 235-6 income range;

(*j*) Approximately 1 percent of total elderly owner households (standard and substandard units).

The overlaps between groups of households eligible for public housing and for section 236 are estimated.

The sum of the individual calculations (*a*) through (*j*) minus the overlaps estimated above provides numeric locality estimates which are considered to reflect the proportionate "needs" of various localities for subsidized housing. Summaries of these locality estimates by insuring jurisdictions provide numbers which reasonably reflect the relative levels of "needs" for subsidized housing in various jurisdictions. Percentages of the national total of this series become the "fair share" standard for comparisons of insuring jurisdiction allocations.

The establishment of the county or SMSA base numbers as of 1971 for use in the calculations in item 3, above, is done in the following manner:

1. 1960 census data are recorded for the detail which most nearly approaches the detail required in item 3, above;

2. Further refinements of locality detail in (1) are made on the basis of regional or national distributions at the same date.

3. Updating of income distributions from 1959 data (from the 1960 census) is provided by application of income increase rates which are appropriate to individual localities, as indicated by Department of Commerce "County Business Pattern" data.

4. Growth factors for numbers of households are applied to all household series which reflect (1) total community growth as estimated by HPMC–FHA and (2) changes in age distributions (especially, increases in elderly);

5. Adjustments in substandard units are made which reflect national patterns of housing improvement, with local adaptations to reflect unusually rapid or slow growth. To recognize relative improvement of housing conditions resulting from rapid growth and consequent housing replacement, the growth factor is so designed as to reflect accelerated reduction of substandard housing in rapidly growing communities.

6. To reflect the impact of construction of subsidized housing, the numbers of units in related subsidized production since 1968 within insuring jurisdictions are subtracted, respectively, from the base numbers from which public housing and section 236 are calculated in item 3.

An illustrative presentation of the pertinent calculations for the Syracuse, N.Y., standard metropolitan statistical area accompanies this statement. Elements of the individual universes which have no impact in the "fair share" calculations are excluded (such as higher income household data and owner-household distributions by income and housing condition). For other phases of housing-market analysis, the illustrative tables include bedroom distributions at certain points. This refinement is not employed in the "fair share" processes. Inasmuch as the entire system of "fair share" calculations is performed by a computer, the Syracuse illustration has been developed for training and other uses. The overlap calculation, which is used only in the "fair share" computer computation, is not reflected in the Syracuse illustration.

Item 6, above, is not included in the Syracuse illustration since it is incorporated into the computer as an insuring jurisdiction aggregate, rather than as a locality factor.

WORK SHEET NUMBER 2 - for use in SMSAs with HC-2 Bulletins

WORK SHEET FOR ESTIMATING ABSORPTION POTENTIAL FOR HOUSING UNDER SECTION 236, SECTION 221(d)(3) BMIR, AND
LOW RENT PUBLIC HOUSING FOR NONELDERLY RENTER HOUSEHOLDS (TWO OR MORE PERSONS)

Location Syracuse NY SMSA Section LRPH As of date 8/1/71

	1959 Income Classes	Income Adj.	Current Income Classes	1-Bedroom	2-Bedrooms		3-Bedrooms			4-Bedrooms	
				2 Persons*	2 Persons*	3&4 Persons	3&4 Persons	5 Persons	6 Persons	6 Persons	7 or More
				.75	.25	.83	.17	100	.31	.21	.48
	A	B	C	D	E	F	G	H	I	J	K
1	Under $2,000	1.78	-$3560	1.00 800	1.00 266	1.00 1411	1.00 289	1.00 361	1.00 90	1.00 61	1.00 139
2	$2,000-2,999	"	3560- 5340	.75 653 490	.75 218 164	1.00 1077	1.00 221	1.00 343	1.00 112	1.00 76	1.00 174
3	3,000-3,999	"	5340- 7120			.26 439	.26 346 90	.43 471 203	.60 123	83	.93 317 296
4	4,000-4,999										
5	5,000-5,999										
6	6,000-6,999										
7	7,000-7,999										
8	8,000-9,999										
9	Minimum Incomes (see exhibit A)										
10	Adjusted Income Limits (11+12)										
11	Exemption for Minors										
12	Income Limits			$4900	4900	5800	5800	6100	6400	6400	7000

* Less elderly

Exhibit A Unit cost $ Not applicable

Br. Size	Unit Cost Times	Minimum Income Section 221(d)(3)BMIR 1/	Unit Cost Times	Minimum Income Section 236 1/
	a	b	c	d
1	.2905 =		.2415 =	
2	.3415 =		.2846 =	
3	.3930 =		.3273 =	
4	.4445 =		.3700 =	

1/ Enter in appropriate boxes of line 9.

Exhibit B

Br. Size	Current Distr. of Households	Eligible Universe	Net Demand Factor	Annual Absorption Potential
	e	f	g	(fxg)
1	1290	1613	.05	81
2	3357	4196	.05	210
3	1832	2290	.05	115
4	829	1036	.05	52
Total	7308	9135		458

2/ For entries in column f, multiply column e times the ratio of current renter households to 1960 renter households. 1.25

WORK SHEET NUMBER 2 - for use in SMSAs with HC-2 Bulletins

WORK SHEET FOR ESTIMATING ABSORPTION POTENTIAL FOR HOUSING UNDER SECTION 236, SECTION 221(d)(3) BMIR, AND LOW RENT PUBLIC HOUSING FOR NONELDERLY RENTER HOUSEHOLDS (TWO OR MORE PERSONS)

Location Syracuse NY SMSA Section 236 As of date 8/1/71

	1959 Income Classes	Income Adj.	Current Income Classes	1-Bedroom	2-Bedrooms		3-Bedrooms			4-Bedrooms	
				2 Persons *	2 Persons*	3 & 4 Persons	3 & 4 Persons	5 Persons	6 Persons	6 Persons	7 or More
				.75	.25	.83	.17	100	.31	.21	.48
	A	B	C	D	E	F	G	H	I	J	K
1	Under $2,000	1.78	-$3560								
2	$2,000-2,999	"	3560- 5340	.66 653 431	.76 218 52	.76 342 260					
3	3,000-3,999	"	5340- 7120	.72 816 576	.72 272 196	1.00 1688	.83 346 287	.83 471 391	.83 205 170	.41 139 57	.41 317 130
4	4,000-4,999	"	7120- 8900			.65 2373 1542	.65 486 316	1.00 800	1.00 248	1.00 168	1.00 384
5	5,000-5,999	"	8900-10680					.13 777 101	.53 245 130	1.00 166	1.00 379
6	6,000-6,999	"	10680-12460							.09 118 11	.32 270 86
7	7,000-7,999										
8	8,000-9,999										
9	Minimum Incomes (see exhibit A)			$4165	4909	4909	5646	5646	5646	6383	6383
10	Adjusted Income Limits (11+12)			6615	6615	8280	8280	9135	9840	9840	11250
11	Exemption for Minors			-	-	450	450	900	1200	1200	1800
12	Income Limits			6615	6615	7830	7830	8235	8640	8640	9450

* Less elderly

Exhibit A Unit cost $17,250

Br. Size	Unit Cost Times	Minimum Income Section 221(d)(3)BMIR 1/	Unit Cost Times	Minimum Income Section 236 1/
	a	b	c	d
1	.2505 =		.2415 =	$4165
2	.3418 =		.2846 =	4909
3	.3930 =		.3273 =	5646
4	.4443 =		.3700 =	6383

1/ Enter in appropriate boxes of line 9.

Exhibit B

Br. Size	Current Distr. of Households	Eligible Universe	Net Demand Factor	Annual Absorption Potential
	e	f	g	(fxg)
1	1007	1259	.05	63
2	3738	4673	.05	234
3	2443	3054	.05	153
4	1381	1726	.05	86
Total	8569	10712		536

2/ For entries in column f, multiply column e times the ratio of current renter households to 1960 renter households. 1.25

WORK SHEET NUMBER 3 for use in SMSA's with HC-2 Bulletins

WORK SHEET FOR ESTIMATING ABSORPTION POTENTIAL FOR ELDERLY HOUSING UNDER SECTIONS 202, 221(d)(3), AND 236

Location Syracuse NY SMSA Section 236 As of Date 8/1/71

1959 Income Classes	Income Adj.	Current Income Classes	0-Br. 1 person 1.25	1-Br. 2+ persons 1.25
A	B	C	D	E
1 Under $2,000	1.62	-$3240	.24 3690 871	.08 1646 132
2 $2,000-2,999	"	3240- 4860	1.00 564	1.00 663
3 3,000-3,999	"	4860- 6480	.58 240 139	1.00 668
4 4,000-4,999	"	6480- 8100		.08 474 38
5 5,000-5,999	"	8100- 9720		
6 6,000-6,999				
7 7,000-7,999				
8 Minimum Income (see Exhibit A)			$2456	2983
9 Income Limits			5805	6615

Exhibit B

1. 1960 Elderly owner households 20,926 X .159 = 3327
2. 1960 Elderly renter households: 7856
3. Add lines 1 and 2 = 11183
4. Divide line 3 by line 2 = 1.42
5. Estimated current elderly renter households: 9820
6. Divide line 5 by line 2 = 1.25
7. Line 6 times line 4 = 1.775
8. Multiply line 7 times the unadjusted 1960 gross potential shown in column g of Exhibit C and enter in column h.

Exhibit A Unit cost $ 17,250

Br. size	Unit cost times	Section 202 minimum income	Unit cost times	Section 221(d)(3) minimum income	Unit cost times	Section 236 minimum income
	a	b	c	d	e	f
0	.1613 =		.1709 =		.1424 =	$2456
1	.1959 =		.2076 =		.1729 =	2983

Exhibit C

Br. Size	Current Distr. of Households	Eligible Universe	Net Dem. Fac.	Annual Absorption Potential
	g	h	i	(hxi)=j
0	1574	2794	.070	196
1	1501	2664	.035	93
Total	3075	5458		289

1/ For entries in column h see Exhibit B.

WORK SHEET NUMBER 4
For use in SMSA's with HC-2 bulletins

WORK SHEET FOR ESTIMATINGABSORPTION POTENTIAL FOR ELDERLY ELIGIBLE FOR PUBLIC OR RENT SUPPLEMENT HOUSING

Location Syracuse NY SMSA As of Date 8/1/71

	1959 Income Classes	Income Adjustment	Current Income Classes	0-Br. 1 person 1.25	1-Br. 2+ persons 1.25	Substandard Portion 1/ 0-Br. 1 person	Substandard Portion 1/ 1-Br. 2+ persons
	A	B	C	D	E	F	G
1	Under $2,000	1.62	-$3240	1.00 3630	1.00 1646	.49 1779	.22 362
2	$2,000-2,999	"	3240- 4860	.65 564 367	1.00 663	.27 99	.12 80
3	3,000-3,999	"	4860- 6480		.03 668 20		.09 2
4	4,000-4,999						
5	5,000-5,999						
6	6,000-6,999						
7	7,000-7,999						
8	Income Limits			$4300	4900		

Exhibit A

Br. Size	Current Distr. of Households	1960-Cur. Growth Adjust2/	Current Eligible Universe	Net Demand Factor	Absorption Potential
	a	b	(axb)=c	d	(cxd)=e
0	3997	1.25	4996	.070	350
1	2329		2911	.035	102
Total	6326		7907		452

Substandard Portion

Br. Size	Subst. Eligible Universe	Net. Demand Factor	Subst. Occ. Pot.	Absorption Potential
	f	g	(fxg)=h	(e+h)=i
0	1878	.055	103	453
1	444	.050	22	124
Total	2322		125	577

1/ Compute the proportion substandard for one person and two- or more- person elderly renter households from table 7 in the HC(2) bulletin. For appropriate entries in the small boxes of columns F and G, see table 4.

2/ Estimated current elderly renter households divided by 1960 elderly renter households (see exhibit B, work sheet 3, item 6).

WORK SHEET NUMBER 5
For use in SMSA's with HC-2 bulletins

WORK SHEET FOR ESTIMATING OCCUPANCY POTENTIAL AMONG
NONELDERLY RENTER HOUSEHOLDS (TWO OR MORE PERSONS)
LIVING IN SUBSTANDARD HOUSING

Location Syracuse NY SMSA

As of date 8/1/71

	1959 Income Classes	Income Adj.	Current Income Classes	1-Bedroom	2-Bedrooms		3-Bedrooms			4-Bedrooms	
				2 Persons	2 Persons	3 & 4 Psns.	3&4 Psns.	5 Persons	6 Persons	6 Persons	7 or more
	A	B	C	D	E	F	G	H	I	J	K
1	Under - $2,000	1.66	-$3320	1.00 .01970	1.00 .00657	1.00 .03566	1.00 .00730	1.00 .01250	1.00 .00627	1.00 .00425	1.00 .00972
2	$2,000 - 2,999	"	3320- 4980	.95 .01407 .01337	.95 .00469 .00446	1.00 .02485	1.00 .00509	1.00 .00893	1.00 .00397	1.00 .00269	1.00 .00615
3	3,000 - 3,999	"	4980- 6640			.77 .02738 .02108	.77 .00561 .00432	1.00 .00986	1.00 .00427	1.00 .00289	1.00 .00611
4	4,000 - 4,999	"	6640- 8300					.22 .00953 .00210	.58 .00403 .00234	.58 .00273 .00158	1.00 .00624
5	5,000 - 5,999	"	8300- 9960								.30 .00523 .00157
6	6,000 - 6,999										
7	7,000 - 7,999										
8	8,000 - 9,999										
9	Adjusted Income Limits (10 + 11)			$4900	4900	6250	6250	7000	76000	7600	8800
10	Exemption for Minors			-	-	450	450	900	1200	1200	1800
11	Income Limits			4900	4900	5800	5800	6100	6400	6400	7000

Exhibit A

1. From table 7 in the HC(2) bulletin, compute the proportion of all substandard renter households which are two- or more- person nonelderly: 49.91

2. Line 1 divided by the Household Adjustment Index from the apprppriate division of table 3 51.01 = 97.84

3. Current number of renter occupied substandard units (see work sheet 1, exhibit C, line 10) 3297 x line 2 = 3226

Exhibit B

Br. Size	Proportion Qualifying	Eligible Universe 1/	Net Demand Factor	Annual Absorption Potential
	a	b	c	d
1	.03307	107	.125	13
2	.09262	299	.125	37
3	.06695	216	.125	27
4	.04120	133	.125	17
Total	.23384	755		94

1/ For entries in column b multiply proportions in Column a times line 3 or exhibit A.

Question 6. There is a clear interrelationship between the various subsidized housing programs. Would you please supply for the record the commitment for each region of the country for each of the subsidized housing categories; that is, section 235 and section 236 commitments as well as public housing and rent supplement. In addition, could you please supply the subcommittee with a breakdown of the commitments made under section 502 program administered by the Farmer's Home Administration, providing totals by HUD region.

QUESTION NO. 6.—AUTHORITY MADE AVAILABLE BY REGION[1]

	Rent supplement	Sec. 235		Sec. 236	Low rent public housing
		Regular	Department of Agriculture		
Region:					
I	$8,737,124	$9,162,798	$56,875	$34,232,740	$8,849,240
II	12,697,746	16,776,526	2,390	56,627,946	20,414,050
III	12,374,913	14,789,006	36,954	32,936,556	14,157,575
IV	36,669,177	89,415,390	2,866,858	36,397,531	23,346,450
V	26,990,988	59,220,879	785,757	62,973,839	23,014,350
VI	30,560,581	53,408,880	999,053	27,598,802	13,763,000
VII	5,917,081	18,756,202	304,212	12,552,403	8,038,500
VIII	6,845,522	15,340,799	246,803	5,723,779	4,802,300
IX	9,880,824	37,392,708	186,544	39,355,209	16,880,100
X	8,379,388	17,346,710	2,261,082	8,107,796	6,024,250
Total	159,053,614	331,609,898	7,746,528	316,506,601	139,289,815

[1] Figures represent cumulative authority allocated to regions through Oct. 8, 1971, since the inception of the rent supplement, sec. 235 and sec. 236 programs. Figures for low rent public housing represent fiscal year 1972 only as the current year is the first time such authority has been decentralized to the regions.

Question 7. The subcommittee would appreciate your supplying the following:

A. The number of multifamily structures which are:

1. In technical default;

2. In monetary default;

a. Foreclosed by mortgagee;

b. Have been assigned to HUD by mortgagee under insurance agreement;

c. Among those properties in default how many are:

(1) Being operated under an informal workout agreement;

(2) Being operated under a modification agreement;

(3) Acquired by HUD by foreclosure or assignment by mortgagor?

Please supply breakdown by program, for example, 236, 221(d)(3), et cetera. Please supply dollar amounts for each category.

B. The number of homes owned by the occupant which have been assigned to HUD . . .

1. Where the mortgage is being paid off under a forebearance agreement;

2. Where HUD has acquired the property.

Please supply breakdown by program, for example, 235, 221(d)(3) et cetera. Please supply dollar amount for each category.

Of those owner-occupied and multifamily units acquired by HUD, how many are presently in the HUD portfolio of acquired properties by region?

Are you experiencing any difficulty in disposing of these properties? Greater difficulty than previously?

What has been the effect of reacquisitions upon the insurance fund?

Finally, with reference to multifamily units, could you supply a breakdown as to the number of monetary defaults which are in the inner city as opposed to elsewhere? Are in projects operated by nonprofit sponsors as opposed to operated by profit motivated organizations?

QUESTION NUMBER 7(A)—MULTIFAMILY (AS OF SEPT. 30, 1971), MORTGAGE INSURANCE, MAINTENANCE AND SETTLEMENT ACTIVITIES

Program	Projects in technical default			Projects in monetary default [1]						Projects under modification agreement		
	Number	Units	Original Mortgage	NP	LD	Coop	Total	Units	Original mortgage	Number	Units	Original mortgage
Sec. 236	5	1,091	$23,340,400	16	9	1	26	2,003	$29,741,737	1	60	$902,900
Sec. 221(d)(3)MIR–R/S	1	200	2,131,700	30	9		39	3,812	45,912,321	11	1,087	12,975,686
Sec. 221(d)(3)BMIR	2	412	8,476,800	53	58	7	118	3,936	198,172,027	52	8,921	132,957,889
Sec. 221(h)				16			16	89	1,031,094			
Sec. 235(j)				2			2	15	259,122			

[1] Approximately 75 percent of the projects in monetary default are located in inner city areas.

Program	Total notes assigned to HUD from start of each program			Assigned notes on hand			Assigned notes under work-out			Assigned notes in foreclosure		
	Number	Units	Original mortgage	Number	Units	Original mortgage	Number	Units	Original mortgage	Number	Units	Original mortgage
Sec. 236	13	1,524	$23,505,399	13	1,524	$23,505,399	12	1,447	$22,452,099	1	77	$1,053,300
Sec. 221(d)(3)MIR–R/S	14	1,542	19,991,597	14	1,542	19,991,597	11	1,271	15,707,598	3	271	4,283,999
Sec. 221(d)(3)BMIR	90	9,540	113,165,460	68	7,215	85,502,818	31	4,912	63,065,010	36	2,063	22,437,000
Sec. 221(h)	12	59	773,350	6	28	817,855				6	28	817,855
Sec. 235(j)												

ACQUIRED PROPERTIES ON HAND (BY REGION)

Region	Sec. 236		Sec. 221(d)(3) BMIR		Sec. 221(d)(3) MIR-R/S		Original mortgage
	Number	Units	Number	Units	Number	Units	
I			4	158			$3,752,400
II			2	144			1,921,600
III	2	159	2	259			4,420,700
IV					1	150	1,323,700
V							
VI			4	724			7,286,900
VII			3	199			2,450,800
VIII			1	59			575,000
IX			3	282			1,148,500
X							

Answer. Single family.

Through June 30, 1971, 1,529 section 235 mortgage notes have been assigned to HUD at a cost of $23,788,213. As of the same date, 2,623 section 235 properties had been acquired, including 188 assigned mortgages ($2,724,833) which were converted to acquired properties. Of these total acquisitions, 539 had been sold, leaving a balance of 2,084 acquired properties on hand at a total cost to HUD of $33,803,315. Our system does not readily identify the regions in which these properties are located. As of September 30, 1971, nine assigned mortgages were under forbearance agreements.

Of the section 235 properties which were acquired and sold by HUD, the average loss per sale was $3,572. There is no evidence to suggest that re-acquisitions prove more expensive than initial acquisitions. Our experience to date with section 235 acquisitions shows that disposal of these properties is somewhat more difficult than for other single-family owned properties, due to the fact that relatively more section 235 homes are located in older inner city areas.

Since the predominance of subsidized multifamily projects in monetary default are located in inner cities, it is logical to assume that the bulk of any properties which are acquired will be in inner cities and, therefore, as our experience has shown, more difficult to dispose of.

Question 8. In response to question 4 submitted by Chairman Monagan for answer by the Department after the hearing on May 24 the Department stated that in areas showing evidence of substantial speculator activity a modified-cost approach has been instituted to control profits. Would you please explain how this modified-cost approach works?

Answer. Modified cost approach.

This amplifies material sent to you in response to your May 24 question. Attached you will find a self-explanatory circular which was sent to all of our field offices and which establishes a procedure for modified cost approach in section 235 housing.

I. Required identification of ownership where seller is not the owner-occupant, existing properties.

II. Use of modified-cost approach on existing properties in areas dominated by speculator activity.

PURPOSE. IDENTIFICATION OF OWNERSHIP

The increasing number of applications for mortgage insurance being received involving innercity and other problem areas dominated by speculators has made it necessary to provide these additional instructions which are applicable to delineated areas as hereinafter described.

Sellers who are not owner-occupants must be identified in order to disclose straw parties and speculator activity. The application form 2800 will be revised at its next printing. In the meantime, the following instructions with respect to identification of ownership must be implemented immediately.

MODIFIED-COST APPROACH

The directives in this circular concerning the modified-cost approach supplement the outstanding appraisal instructions in section 14, volume VII, FHA manual and are intended to facilitate more realistic appraisals of properties located in areas of extensive speculator activity. It must be emphasized that in appraising income properties the market approach is the most reliable indicator of value and must be utilized as the principal approach. In areas where speculators constitute the principal means by which properties are marketed and FHA is the principal source of financing, this additional approach to value will help to prevent unreasonable disparities between net sellers' prices plus typical costs and FHA values with the attendant implications of excessive speculator profits. This modification of the cost approach, which will be implemented immediately in the areas affected, will provide another limit upon value to supplement the market approach. The information concerning ownership, acquisition prices, repairs, and other costs should be an invaluable source of data to implement this approach.

A speculator is one whose motive in purchasing a property is to resell as soon as possible at a profit. He may or may not make repairs and may purchase on a contract for deed or he may buy outright.

When speculators predominate in the buying, repairing, and selling of older existing dwellings, there frequently is inadequate market data available for market comparison purposes that does not involve, or is unaffected by, such speculative transactions. In such neighborhoods, this modified-cost approach is mandatory.

I. INSTRUCTIONS FOR THE IDENTIFICATION OF OWNERSHIP

A. Effective immediately, field offices will provide mortgagees with a list of delineated areas or neighborhoods which are dominated by speculator activity. The mortgagees will be advised that applications in such areas must be accompanied by the name and address of the owner of the property, the date the property was acquired and the present status of the property with respect to any options to sell.

(1) If the date of purchase of the property is less than 2 years prior to the date of application and the owner is not the occupant, or

(2) If the owner (whether occupant or not) has optioned the property, or

(3) If the field office for any pertinent reason deems such information essential on a particular application,

The total itemized cost of acquisition and an itemization of the cost of any improvements made to the property by the seller, or the option price, if applicable, must be furnished with the application. Falsification or other fraudulent information will be considered cause for prosecution.

B. Valuation clerks must be instructed to carefully review all applications in delineated areas during initial review prior to assignment to ascertain the need for the required information in A above, and if not in the file, the application will be returned to the mortgagee as a fee earned reject. The information provided will be transmitted to the processing appraiser together with the application.

C. The director of each field office will issue a letter to all mortgagees in his jurisdiction reciting the requirements in paragraph A above.

II. MODIFIED-COST APPROACH

A. *Delineation of areas and benchmarks.*—The neighborhoods in which this modified-cost approach is to be used must be designated and delineated by the chief appraiser in each field office and will be limited to those areas dominated by speculator activity.

1. The first step in this approach is to collect sales data of net prices received by sellers selling to speculators (reflecting the "as is value" (before repairs)) using the market approach. Benchmark appraisals will be established in accordance with paragraph 71418.3 to justify the appraiser's as is value. The benchmark comparison must be made on form 2019 for each type of property typical in the locality. The data can be collected from the usual sources of market data including courthouse records, mortgagees, contractors, brokers, and speculators dealing in this kind of property.

The benchmarks will be coded for identification purposes and the code number identified on the 2800 used in appraising the subject.

B. *Data.*—The next step is to collect data relating to the following four items described below. Verification and comparison of substantial amounts of this data is necessary to assure its validity. This data will be assembled by the office and provided the fee and staff appraisers working in the areas designated. It must be updated as needed to assure its reliability.

1. Expenses incurred in connection with the as is purchase from the original owner (recording charges, transfer taxes, and any other expenses of purchase).

2. Interim financing expense (interest on borrowed money necessary to carry the property until resale) expressed as a percentage which will be applied to the as is value.

3. Expenses incurred in connection with holding the property awaiting sale and closing (such as taxes, insurance, water and heating costs, grass-cutting, et cetera.) This may or may not be an element of expense, particularly if in the typical transaction the sale is consummated early or the speculator rents the property during the sale period.

4. Typical broker's commission charged (percentage) on properties of this type.

C. *Repairs.*—The cost of repairs proposed or required to make the subject property acceptable must be estimated in the usual manner.

D. *Method:*

1. Determine the as is value from the benchmarks provided. Enter the as is value in box 31 on the 2800–3 (see example). The benchmark 2019 utilized will be identified by code number next to the as is value.

2. Enter expense of as is purchase (B–1 above).

3. Calculate the interim financing expense (B–2 above).

4. Add holding costs (if any) (B–3).

5. Add repairs proposed or required to bring the subject property up to a condition acceptable to HUD and the market (from box 33).

6. Next, total the as is value, the expense of as is purchase, the interim mortgage expense and the repairs.

7. Multiply this total by a reasonable overhead and profit allowance. A reasonable profit is one which is required in order to attract legitimate enterprises to engage in the purchase, repair, or rehabilitation, and resale of older properties in the locality. The profit allowance must be such that it will discourage the "speculator" or "suede shoe" operator. The purpose is to exclude from FHA insured mortgages the possibility of exorbitant profits at the purchaser's expense.

8. Compute the broker's commission on the sum of the above.

9. The result is the modified replacement cost.

This total is then entered in block 32, "Total Replacement cost." This amount is an upper limit of value for the property and will also be entered in box 36, "Appraisal Summary" as "Cost."

Example of modified cost approach

(1) As is value	$6,200
(2) Expense of as is purchase	75
(3) Interim financing expense (9 percent, 3 months on $6,200)	140
(4) Holding costs	(None)
(5) Repairs	1,800
(6) Total	8,215
(7) Overhead and profit (125 percent x $8,215)	10,268
(8) Broker's commission (5 percent)	540
($10,268÷95 percent=$10,808−$10,268=$540)	
(9) Modified replacement cost	10,808

Question 9. At our hearing it was brought out that HUD no longer uses the preferred stock device to exercise control over multifamily projects insured by FHA.

What forms of control does FHA have over mortgagors replacing the preferred stock arrangement?

Why was the preferred stock arrangement eliminated?

Do you find your present controls satisfactory or do you have alternative suggestions?

Answer. FHA control over multifamily project mortgagors of FHA insured projects are controlled by regulatory agreements which are contractual agreements executed by mortgagors "In consideration of the endorsement for insurance by the Commission * * * and in order to comply with the requirements of section * * * of the National Housing Act * * * "

When the National Housing Act was amended to authorize individuals, partnerships, joint ventures, and other noncorporate entities to be eligible mortgagors, another form of control became necessary in the absence of preferred stock.

Present control by regulatory agreement is considered satisfactory.

APPENDIX C.—ADDITIONAL MATERIAL SUBMITTED BY THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REGARDING CONTRACT AUTHORITY UNRESERVED AS OF JUNE 30, 1971

Of the section 235 contract authority listed as unreserved in the field, over $6.4 million was committed to honor "priority registrations," or HUD past promises to allocate contract authority whenever it became available. An additional amount in excess of $2 million was for special purposes—model cities, new communities, etc.—that had not been recorded in the central office as reserved. An undeterminable amount was undoubtedly "earmarked" for certain housing, but not yet reported to central office as officially reserved.

Similarly, of the section 236 contract authority, about $10 million was in the field offices for special purposes—model cities, new communities, etc.—that had not yet been recorded in central office as officially reserved for specific housing projects. An undetermined amount would have been "earmarked" for specific regular housing projects that had not been officially reserved and reported to the central office.

All of the contract authority in the central office was for special purpose use and for contingency reserves (interest rate changes, etc.).

CONTRACT AUTHORITY UNRESERVED AS OF JUNE 30, 1971 (COMPTROLLER'S REPORT)

Region	Sec. 235	Sec. 236
I	$914, 150	$1, 675, 344
II	1, 573, 536	4, 071, 427
III	2, 388, 771	2, 872, 658
IV	4, 696, 788	1, 724, 158
V	8, 681, 074	5, 097, 177
VI	3, 462, 871	1, 664, 486
VII	1, 610, 149	781, 172
VIII	934, 674	418, 014
IX	3, 773, 327	1, 459, 572
X	762, 375	670, 640
Subtotal	28, 797, 715	20, 434, 648
Central office	6, 565, 941	9, 565, 868
Total	35, 363, 656	30, 000, 516

○